REPUBLIC OF ZIMBABWE

TRANSITIONAL NATIONAL DEVELOPMENT PLAN

1982/83 – 1984/85

VOLUME 1

NOVEMBER, 1982

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FOREWORD

The development of society is necessarily a dialectical process involving the continual conscious application of formulated solutions to inherent and emerging problems in the socio-economic environment with which society continually grapples and interacts in shaping itself and seeking accommodation. The course of that process and its successful accomplishment will depend firstly, on whether the objectives of the development plans embraced by society have been clearly defined and given a correct orientation, and secondly, on whether the means have also been clearly defined and given the same orientation as the objectives to which they should apply. Where development plans have, in the main, been designed to serve the interests of a privileged few at the expense of the interests of the majority, socialist objectives have suffered disorientation and social equity has been undermined, for inequity as its antithesis has been made paramount. In such a social situation, the privileged class, because of its exclusive ownership of the means of production, assumes the dominant role and acquires for itself all the attributes of an upper class or bourgeoisie which must needs stand in sharp contrast to, and hence are pitted against, those of the under-privileged or impoverished class, in our case the peasantry and the working class. Thus the wealth, education, health, skills and welfare of the bourgeois class, by antithesis, translate themselves into the poverty, ignorance, disease, absence of skills and welfare, on the part of the peasants and workers.

Social justice and equity in circumstances of social disequilibrium cannot thus be achieved by policies which reject socialist goals and seek the enhancement of private or individualistic interests, for by their orientation such policies seek to entrench further the role of the bourgeoisie. My Government, committed as it is to socialism and recognising the urgent need to correct the inherent social and economic imbalances, presents the Three-Year Transitional National Development Plan as its first endeavour at socialist transformation. The Plan, however, recognises the existing phenomenon of capitalism as an historical reality, which, because it cannot be avoided, has to be purposefully harnessed, regulated and transformed as a partner in the overall national endeavour to achieve set national Plan goals. Accordingly, whilst the main thrust of the Plan is socialist and calls for a greater role by the State through the instrumentality of State enterprises, worker participation, and socialist co-operation, ample room has been reserved for performance by private enterprise. Thus, of the total amount of $6 096 million gross investment needed for the Plan, the public sector will make an input of 59%, leaving the private sector to find the rest of the input of 41%.

Overally, the Plan is designed to serve as a vehicle through which our young nation will mobilize the human and material resources of the country in an effort to develop and establish a socialist society. Our firm belief is that it is only within the framework of a planned economy that Government is better able to influence and purposefully direct development, create appropriate institutions, and establish the magnitude of investment and its allocation as well as the formation of a pattern of income and wealth distribution in harmony with socialist objectives. This role of Government in the development of our national economy is indispensable if we are to move speedily towards the establishment of the socialist state we envision.

Our short experience has, however, shown that the first plan is the most difficult to formulate and equally it will prove the most formidable to implement. In addition to months of search for data and other information leading to the formulation of the Plan proposal, Cabinet has spent several months deliberating on the Plan draft. Such a protracted and tedious exercise was no doubt essential as the implementation of this Plan is intended to initiate processes designed to set the stage for the transformation of the inherited socio-economic system. The processes, it is hoped, will set in motion an irreversible socialist trend. Thus, the impact of this Plan is bound to be felt for many generations to come.

This Plan in essence puts our nation at the threshhold of our second revolution — the socio-economic revolution designed to give greater meaning to our independence. The Plan is about the whole of our people as a nation and our people as a whole must now, under the guidance of Government, brace themselves for its successful implementation. The Plan should be viewed not as an end in itself but rather as an instrument for the achievement of our objectives within a set time-scale. The people of Zimbabwe, who are the object of the Plan must, together with their Government, work even harder for its accomplishment.

R.G. Mugabe
PRIME MINISTER OF ZIMBABWE.

R. G. Mugabe

PREFACE

This Development Plan is transitional for a number of reasons. First, our society is in the process of changing from war conditions to peace. This process has been so dramatic and swift, especially during the last two years, that any attempt at formulating a plan based on conventional tools of planning such as input-output or econometric models could have been an exercise in futility. Second, data and other information needed in formulating a comprehensive plan based on advanced quantitative techniques are either inadequate or nonexistent. For instance data on population, the peasant sector, manpower, foreign exchange, and the national debt are either not readily available or exist in a crude form. Furthermore, a great deal of the statistical series are undergoing revision and reorganization because prior to independence some of the series were subjected to manipulation.

In addition to the problems enumerated above, there are several self-help projects underway among peasant communities, especially in the areas of school construction, road and bridge building. This effort of self-reliance seems to be intensifying as the peasantry becomes increasingly conscious of the fact that rapid growth and development require active participation in social and economic activities by all members of society. However the contribution of these self-help schemes to the overall performance of the economy and to social development could not be assessed in time for incorporation into this plan.

It is for these reasons that government has produced this short-term plan designed to provide perspective and serve as a guidepost during the transition period while preparations for the formulation of a longer term comprehensive plan are underway.

An average real economic growth rate of 8 percent per year is the target for the plan period. Its selection is based on an assessment of the economy's past performance, existing productive capacity, and anticipated deliberate action by Government to ensure successful implementation of policy measures and programmes recommended in the plan.

The plan is organized in two volumes. Volume I deals with policy issues and establishes macroeconomic and sectoral targets. It outlines the intended direction and magnitude of change for the system as a whole and for specific areas of economic and social activity. Government objectives and policy measures and other instruments for attaining these objectives are also outlined in Volume I. Volume II gives details of government investment and other programmes to be undertaken by operational Ministries and statutory bodies. Volume II is thus an operational document in that it details the broad policy measures stated in Volume I and translates them into programmes and activities.

Investment data for the first year of the plan is final but the remaining two years are subject to revision in order to take into account unanticipated changes that might have occurred in the preceeding year. These revisions and other changes that may occur in the private sector necessitate the formulation of annual plans, beginning with the second year of the plan period.

B.T.G. Chidzero
MINISTER OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

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Sources: Central Statistical Office: National Accounts, Monthly Digests of Statistics, and other national statistics.

GLOSSARY

AFC	Agricultural Finance Corporation
AMA	Agricultural Marketing Authority
CAPCO	Central African Power Corporation
CIF	Cost, Insurance, Freight
CSO	Central Statistical Office
ESC	Electricity Supply Commission
FOB	Free on Board
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNP	Gross National Product
LPG	Liquid Petroleum Gas
MDC	Mining Development Corporation
NHS	National Health System
NRZ	National Railways of Zimbabwe
NVTDC	National Vocational Training and Development Centre
OAU	Organization of African Unity
Panaftel	Pan African Telecommunications
POL	Petrol, Oil and Lubricants
PSIP	Public Sector Investment Programme
PTC	Posts and Telecommunications Corporation
SADCC	Southern African Development Co-ordination Conference
SATCC	Southern African Transport and Communications Commission
SDR	Special Drawing Rights
SEDCO	Small Enterprises Development Company
SITC	Standard International Trade Classification
STC	State Trading Corporations
TCE	Tonnes of Coal Equivalent
TDC	Tourist Development Corporation
UDI	Unilateral Declaration of Independence
VHW	Village Health Worker
ZBC	Zimbabwe Broadcasting Corporation
ZIMCORD	Zimbabwe Conference on Reconstruction and Development
ZISCO	Zimbabwe Iron and Steel Corporation
ZOPC	Zimbabwe Oil Procurement Consortium

CHAPTER ONE

INTRODUCTION

1.1 Zimbabwe has emerged from a protracted and bitter war of liberation from social and economic exploitation and political oppression. The triumph of the forces of liberation has given the people and Government of Zimbabwe an opportunity to create a new order, to rid the Zimbabwean society of vestiges of exploitation, unemployment, poverty, disease, ignorance and social insecurity.

1.2 With political emancipation now achieved, the next task is that of reconstruction and development of the socio-economic system. We, the people of Zimbabwe, owe it to ourselves, to our children and future generations, and to the world, to undertake this task. This development plan provides a framework within which we pool our energies, harness resources in order to reconstruct and develop Zimbabwe and thus lay a firm foundation for a new society based on equality of opportunity and prosperity for all Zimbabweans.

1.3 This plan is transitional, and has been drawn up specifically to meet special, in some cases unique, needs of an economy and society in transition from war to peace and, from an old to a new order. Its objectives and strategies and its projects and programmes are the result of a careful diagnosis of the basic structure of the socio-economic system, its strengths and weaknesses and, therefore, of the tasks needing the most urgent attention.

1.4 The Prime Minister, Comradé Mugabe, in his opening address to the Zimbabwe Conference on Reconstruction and Development (ZIMCORD), provided a very apt summary of the major objectives of this plan:

> "The task before my Government in the post-war era of independence and peace is ... to lay the foundation on the basis of which our people can regain their history and, as active participants, make their lives go forward in prosperity and happiness. The task facing us in Government is indeed challenging and daunting. It involves rehabilitating our economy, particularly in the rural areas, resettling thousands of our people, as well as making sure that vital social services are restored or introduced for their benefit."

1.5 The experience of some emergent nations which attained independence before Zimbabwe suggest that enormous difficulties and complexities are involved in the process of designing and planning development of a post-colonial economy. In some of these countries growth and development have been impeded by a number of external and internal constraints. Some of them have adopted inappropriate policies and strategies and have misallocated much human and material resources in building costly, unproductive and often unnecessary capacity. Often the result has been uneven development, stagnation, even decline, leading to no significant and sustained improvement in living standards of the people as a whole.

1.6 While the inherited economy, with its institutions and infrastructure, has in the past served a minority, it would be simplistic and, indeed, naive to suggest that it should, therefore, be destroyed in order to make a fresh start. The challenge lies in building upon and developing on what was inherited, modifying, expanding and, where necessary, radically changing structures and institutions in order to maximize benefits from economic growth and development to Zimbabweans as a whole.

1.7 The Government's commitment to planned development is fundamentally a commitment to rational, judicious and efficient allocation of scarce resources and to a process of monitoring and objective evaluation of development programmes and projects. It is a commitment which demands a high degree of discipline without which no plan, however well prepared, can be expected to succeed. These are matters on which Zimbabweans can learn from the experience of others, and in this regard, our success will, in part, be closely related to our willingness and ability to learn from the experience of others.

1.8 Lasting political and economic stability, both of which are pre-requisites for self-sustaining development, can be assured if the economy achieves and maintains high rates of economic growth and rapid development and if benefits are equitably distributed. This requires, among other things, a deliberate and sustained process in the direction of social ownership of the means of production, equitable distribution of income, and popular participation in the management of development. Such a process will result in a meaningful and secure socio-economic emancipation of our people. Any economic system that perpetuates past injustices cannot be tolerated nor, in the long term, sustained. If it were, the costly struggle for liberation would be meaningless and the cause of the revolution betrayed.

1.9 Prudence and pragmatism dictate that if any programme or action devised by Government to correct socio-economic ills of the past is to carry the nation with it, it should be set in a framework of a dynamic process, responsive to the requirements of time, circumstances, and actual conditions obtaining in Zimbabwe. This is not a philosophy or argument for the retention and entrenchment of the *status quo,* but one which ensures that, each move that the nation makes is carefully assessed for its weaknesses and strengths and for its socio-economic costs and benefits. It is a rational and planned basis designed to ensure that each move is a clear and firm consolidation of the nation's unity, independence and welfare.

1.10 To supplant the socio-economic dualism which characterizes the inherited system with an integrated national economy, there is need to act with unity and single-mindedness if the ultimate goal of an egalitarian socialist and integrated society is to be attained. The urgency with which the social and economic problems must be tackled makes the application of sophisticated and analytical planning techniques of secondary importance and, in some cases, unnecessary. Resettlement of landless people in areas where they can make a decent living is a priority and must be implemented urgently if the unity of the nation is to be sustained. There is urgent need to generate large amounts of additional employment to engage a rapidly growing labour force in gainful employment. Worn-out and outdated equipment needs urgent replacement in order to increase productivity and the economy's productive capacity. Transportation bottlenecks must be urgently and efficiently resolved. The people's legitimate expectations for more and better schools and health facilities need to be satisfied. Income, wealth and social inequalities need to be reduced. This, in practical terms, is what this plan is about. The collective task before the nation is, therefore, to resolutely mobilise and efficiently deploy its human and material resources in order to resolve these urgent issues and problems while recognising that the priorities, policies, programmes and projects so designed form an integral part of a long-term programme of action aimed at achieving society's long-term goals.

1.11 The long-term development strategy is to introduce measures for fundamental transformation of the system over time. Steps will, therefore, be taken to reduce the socio-economic dualism, integrate activities and involve the people in the development process. Government will encourage the evolution of new patterns of production and consumption based on the needs of the people. Other measures to be taken during the three-year transitional development plan period will be aimed at spreading the benefits of economic growth by expanding employment opportunities, securing wider participation in enterprise management, and extending social services. Investment will be guided into areas of priority while internal and external financial resources will be mobilised for productive investment. An ensemble of instruments of economic control and regulation will be deployed to implement the plan.

1.12 The transitional development plan is, therefore, a disciplined and pragmatic instrument in which urgently needed short and medium-term priorities, policies, programmes and projects are identified, evaluated, co-ordinated and implemented. At the same time, to be admissable in the plan, they must assist, in the long run, in building a national economy founded on socialist and egalitarian principles. This plan lays a firm foundation and takes the initial significant steps for the future development of Zimbabwe.

1.13 We have the energy, the people, the natural resources, and, above all, the resilience and the determination to succeed.

1.14 Let's Build Zimbabwe Together.

CHAPTER TWO

PAST AND PRESENT DEVELOPMENTS AND CHARACTERISTICS OF THE ECONOMY

2.1 Immediate prospects for planned growth and development of Zimbabwe will be influenced by the structure of the inherited socio-economic system, its past developments, the international and regional setting, the aspirations and expectations of Zimbabweans, and measures taken by Government to promote socio-economic development. This chapter discusses the most significant past developments of the economy, its major trends and characteristics, and the challenges they pose for planning equitable growth and development in the years ahead.

SOCIO-ECONOMIC BACKGROUND

2.2 The estimated population of Zimbabwe as of June 1981 was about 7,6 million*. More than 96 per cent of the population were black, 3 per cent white, and the remaining one per cent "Coloureds and Asians". Nearly 20 per cent of the population is urban, with more than 90 per cent of the urban population living in the two main centres of Harare (including Chitungwiza) and Bulawayo. It is a youthful population and increasing rapidly, with just over 55 per cent estimated to be under 15 years of age. The estimated rate of growth is 3,3 per cent per year.

2.3 Zimbabwe has a relative abundance of natural resources.** It has 8,6 million hectares of potentially arable land and over 5 million hectares of forests, national parks and wild life estates. There is enormous potential for surface and underground water for hydroelectric power, irrigation and domestic and industrial uses. Mineral resources are varied and extensive. The 40 known minerals include gold, asbestos, coal, nickel, chromium, iron, copper, lithium and precious stones such as emeralds. The country is rich in wild life and has a sunny, temperate climate with potential for agricultural production, solar energy and recreational and tourist attractions.

2.4 At independence the economy had a fairly diversified and relatively developed modern sector. Manufacturing, which in 1981 accounted for more than 26 per cent of GDP in current terms, is the leading sector, while agriculture (accounting for nearly 18 per cent) has a well-developed commercial sector, producing for domestic and export markets. Agricultural exports include tobacco, maize, cotton, sugar and groundnuts.

2.5 The Zimbabwean socio-economic system was, and largely continues to be, characterised by social, economic and technological forms of dualism highly interactive with each other and producing gross social, income and wealth inequalities. Economic dualism is evidenced by the existence of two broad economic sectors: the modern sector (consisting of commerce, industry, mining and commercial agriculture) and the peasant sector. While the modern sector is relatively advanced, dynamic and diversified, the peasant sector is generally underdeveloped, largely subsistence in character and poorly served with essential physical, agricultural and social infrastructure. At the core of its development problems are the highly inequitable land distribution patterns overcrowding, poor land husbandry, and the effects of past neglect in the provision of social and economic services and physical infrastructure. Over the years, public and private investment has been concentrated in the modern sector, with the peasant sector receiving hardly any investment. Partly as a result of these factors, there is a large differential in labour productivity between the modern and the peasant sectors, giving rise to gross inequities in the distribution of income, wealth and income-earning opportunities between them.

2.6 The inequitable distribution of land is also a major factor in the underdevelopment of the peasant sector. About 6 000 (mainly white) commercial farmers hold title to about 51 per cent of the land outside urban areas and national parks (44 per cent of the total land area of Zimbabwe), with farms

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* *The general statistical sources for this and other chapters in the plan are Governments statistics. Some of the statistics collected during the UDI period are subject to an unknown degree of political and other biases which have not been corrected. Data for 1981 is preliminary.*

** *For a detailed discussion of Zimbabwe's natural resources see Chapter Ten.*

ranging between 500 and 2 000 hectares in size and mostly in the better ecological zones (natural regions I, II, and III*).

2.7 Communal areas (or former Tribal Trust Lands) are generally in the poorer ecological zones and are inhabited by about 700 000 families. It is estimated that they have a carrying capacity of not more than 325 000 families, or just over 46 per cent of the current number of inhabitants. Therefore, significant overcrowding, combined with generally poor land husbandry, poor agricultural and physical infrastructure, and the damage caused by the war, have contributed to the underdevelopment of the sector.

2.8 The social dualism characteristic of the socio-economic system was mainly defined in racial terms. As a result of deliberate policies of past administrations, access to public facilities such as education, health and social services was based primarily on race and the white community generally enjoyed more and better quality access to public facilities. All this interacted with the economic dualism already referred to and produced gross inequalities between black and white and between the sexes.

THE MACRO-ECONOMY IN HISTORICAL PERSPECTIVE

Economic Growth and Development

2.9 The initial impact of economic sanctions imposed on Southern Rhodesia in 1966 was a drop in the real rate of growth of the economy. This, however, was short-lived as the economy took off in 1967, growing rapidly at an average annual real rate of 7,6 per cent until 1974. The main sources of growth were diversification and import substitution in both agriculture and manufacturing and expansion of exports which generated the required foreign exchange.

2.10 As a result of import substitution and rapid growth, significant structural changes occured in the economy, which saw manufacturing overtake agriculture as the leading sector. In 1965 the relative shares of agriculture, manufacturing and mining in GDP were 20,6; 18,6; and 7,2 respectively. By 1975 manufacturing accounted for 23,3 per cent while agriculture accounted for 16,9 per cent and mining 6,8 per cent in current terms (see Appendix Table 2.2.1.)

2.11 A number of factors had cumulative effects which impeded growth after 1974. First, import substitution had gone beyond the easy phases and the small size of the market was beginning to impose limits to further growth in this direction. Second, was the impact of the oil crisis of 1973 which caused a recession in the major industrial countries. This led to a huge increase in the fuel import bill and reduced export earnings and foreign exchange allocations. Third, the closure of the border with Zambia led to further foreign exchange loss while the subsequent closure of the border with Mozambique increased transport costs substantially, further aggravating the balance of payments problem. Fourth, were the tightening of sanctions, the intensification of the war, military call-ups and two severe droughts. For example, the country was spending about a third of its GNP on the war. In addition, the war and the intensification of economic sanctions made the country significantly dependent on South Africa for, among other things, economic support and transportation.

2.12 Between 1975 and 1978 real income *per capita* fell by just over 12 per cent, thus elimating much of the improvement in living standards (most of it in the modern sector) made in the growth period (1967-1974). Following a marked drop in exports, there was stringent application of import controls resulting in a reduction of more than 40 per cent in the volume of imports between 1974 and 1979. During the same period the terms of trade deteriorated by some 34 per cent, thus exacerbating the pressure on balance of payments.

2.13 Business expectations were at a low ebb, resulting in very little new fixed investment. Banking and financial institutions experienced high levels of liquidity siphoned off by Government borrowing to finance the war. However, the major constraint on growth was the lack of foreign exchange.

2.14 The turning point of the recession was in the latter half of 1978. Primarily because of pervasive economic uncertainty, arising partly from the incidence of the foreign exchange constraint as well as the intensification of the war, the recovery phase was long, staggered and slow, and did not gather momentum until early in 1980. Towards the end of 1978 and throughout 1979, disposable incomes and consumer spending slowly began to expand. In spite of a considerable degree of uncertainty, business expectations improved gradually and sales and profits began to rise.

2.15 The advent of peace, the election of a new Government and political independence in early 1980 created a favourable business and economic atmosphere which, combined with existing excess capacity in the economy, formed the foundation for the real growth of more than 11 per cent achiev-

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* *Agricultural land is classified into five natural regions on the basis of climatic and soil conditions. Natural Regions I and II enjoy adequate rainfall. Natural Regions IV and V are suitable for extensive livestock rearing. See also Table 11.2 in Chapter Eleven.*

ed in 1980. The lifting of sanctions improved Zimbabwe's terms of trade; high prices for minerals (especially gold) and other exports were largely responsible for the 27 per cent increase in export earnings; the increase in aggregate consumer demand arising from increased consumer confidence and disposable incomes, increased employment, and changed patterns of income distribution were the main factors contributing to the large increase in aggregate demand.

2.16 The high level of defence expenditures, despite the end of the war, also contributed to the large increase in aggregate demand. Although there was a small decline in the security budget, there was significant expansion in the provision of social services, including free primary education and free medical services (for individuals earning less than $150 per month), which raised the level of Government expenditures by more than 17 per cent in current terms over the financial year 1979/80. However, the level of gross fixed capital formation played a relatively insignificant role in the increase in aggregate demand during the expansionary phase — a fact of considerable importance in determining the growth potential of the economy during the plan period.

Socio-Economic Impact of the War and International Economic Sanctions

2.17 Economic sanctions and the war are two major events with the most significant recent impact on the structure, performance and development of the economy. The impact of the war in rural areas was devastating, with much of the social, economic and physical infrastructure either partially or totally destroyed. The Rhodesian administrative and social infrastructures broke down in most parts of the country and peasant output declined significantly as extension and other services were sharply curtailed. Between 1977 and 1980 communal area cattle herd fell by more than 15 per cent while commercial herd declined by more than 25 per cent. The war displaced many people from their habitations and created a huge external and internal refugee problem estimated at some 1,4 million people.

2.18 In spite of the high real growth rate achieved between 1967 and 1974, real per capita income at independence was 9 per cent above the 1970 level or $187 in 1970 as against $204 in 1980. Total employment, which had risen from 750 000 in the mid-1960s to more than one million by 1974, stagnated and then declined by 6,2 per cent between 1976 and 1979. The level of gross fixed capital formation which averaged almost 22 per cent of GDP per year in current terms in the first half of the 1970s, fell to an average of about 17 per cent in the second half, creating a backlog of public and private investment expenditures for renewals and replacements of equipment. The (forced) import substitution industrialisation brought about significant structural changes in agriculture and industry, which may have resulted in the development of some industries and the production of some crops which were contrary to the dynamic long-term comparative advantage of the economy.

Structure of Aggregate Demand

2.19 The current structure of aggregate demand has deep roots in the past socio-economic development of the economy. Economic sanctions, the war, the pattern of income and wealth distribution, and the incidence of the oil crisis had significant impact on the pattern of aggregate demand.

Consumption

2.20 As indicated in (Appendix) Table 3.1.1. the share of total consumption in GDP at current prices increased steadily from an average of 76 per cent during the period 1970-1974 to its highest level of nearly 88 per cent in 1980 and dropped slightly to 85 per cent in 1981.

2.21 This was mainly the result of large increases in Government consumption made necessary by the war and increased levels of subsidies. The share of net Government current expenditure in GDP also rose from just over 13 per cent between 1970 and 1974 to 21,2 per cent in 1980 and 18,9 per cent in 1981.

2.22 The share of private consumption in GDP, which averaged 62,5 per cent in the period 1970-1974 but fell to an average below 60 per cent during the recession (1975-1979), was nearly 67 per cent in 1980 and 66 percent in 1981.

Gross Fixed Capital Formation and Savings

2.23 Even though there was a significant increase in expenditure on capital formation in 1980 compared with 1979, the recovery from the recession was led by an upsurge in private and public consumption rather than by gross fixed capital formation (GFCF). Between 1970 and 1974 the share of GFCF in GDP exceeded 19 per cent, averaged 24 per cent during the same period and 17 per cent between

1975 and 1979. In 1979 it was 13,7 per cent but increased to 14 per cent in 1980 and 15,6 per cent in 1981.

2.24 A number of significant structural changes in the distribution of GFCF took place during the period 1970-1979. The share of the material production sector in total GFCF declined during the periods 1970-1974 and 1975-1979, as well as in 1980*. For example, the share averaged nearly 69 per cent between 1970 and 1974, declined to an average of nearly 65 per cent between 1975 and 1979, and experienced a marginal decline in 1980. There was a corresponding increase in the share of capital formation going to the non-material sector.

2.25 Within material production significant structural changes led to an increased share of GFCF in mining and reductions in the shares of manufacturing and electricity and water. The share of mining rose from 9 per cent in the early 1970s to nearly 22 per cent in 1979 while that of manufacturing declined from about 21 to just over 13 per cent. The share of construction has fluctuated considerably since 1970, and in 1980 experienced practically no change compared to the average over the period 1970-1974.

2.26 Within the non-material production sector the share of education, health and public administration in GFCF increased steadily while that in housing declined from an average of about 22 per cent in the early 1970s to 16,7 between 1970 and 1974 and to 16 per cent in 1980 and 1981.

2.27 Until 1978, the economy mainly relied on domestic savings to finance capital formation, except for 1971, 1974 and 1975, when capital inflows ranged between 12 and 20 per cent of gross capital formation. Since 1978 the situation has deteriorated dramatically. The economy now requires large injections of foreign capital. This is mainly the result of the dramatic change in the savings behaviour of Government. After contributing 14 per cent towards total savings in 1970 and 10 per cent in 1974, Government dissaved to the order of 29 per cent of total savings in 1978.

2.28 The shares of the personal sector, private or public corporations in total savings have either increased or remained more or less constant since 1970. The personal sector contributed 19 per cent in 1970.

2.29 The level of dissaving by Government, viewed against the overall decline in the relative level of domestic savings together with the envisaged large Government development programmes, indicates the need for high levels of mobilisation of both domestic and external financial resources.

Public Expenditures and Finance

2.30 The level of Government dissavings is a consequence of the imbalance between Government expenditures and revenues. The imbalance has had important consequences on the structure of revenues and expenditures, the financing of budget deficits, with implications for money supply and the rate of inflation. Since 1975 there has been a notable shift in public expenditures away from capital formation and economic services towards social services and public administration.

2.31 In the 1970s central Government revenue experienced more than unitary elasticity, increasing at a rate of 13 per cent per annum. On average, direct taxes have provided 48 per cent and indirect taxes 33 per cent of total revenues. Customs duties have been an insignificant source of revenue and measure of protection of domestic industry.

2.32 Recurrent expenditures and transfer payments experienced even greater elasticities, increasing at an annual rate of about 16 per cent. In the early 1970s total Central Government Expenditures averaged 20 per cent of GDP but increased substantially to over 32 per cent in 1979/80 and 30 per cent in 1980/1981. In the last few years the size of the budget deficit has risen sharply as public expenditures increased from an average of less than 1 per cent of GDP in the early 1970s to 11 per cent in 1978/79 in which year Government expenditure constituted nearly 34 per cent of GDP.

2.33 The budget deficits in the early 1970s were financed mainly through borrowing from the non-bank public. Later, as the deficits grew, external borrowing (mainly from South Africa) and borrowing from the banking system became major sources of financing. In 1979/80 Government resorted to external borrowings totalling about $96 million to supplement domestic non-bank sources to finance a deficit of $350 million.

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* *See Appendix Table 4.2 for the composition of the material and non-material production sectors.*

2.34 **With the ending of the war, and the implementation of the new Government's policies and priorities, the composition of vote appropriations for Government expenditure changed. The combined share of Defence and Home Affairs votes dropped from 31,5 per cent of the total budget in 1979/80 to just over 21 per cent in 1980/81, while the combined share of the major social services (Education, Health and Local Government and Housing) increased from under 16 per cent to nearly 24 per cent. In the estimates of vote appropriations for 1981/82 the share of social services increased further while the share of Defence and Home Affairs dropped to just over 18 per cent.**

Exports, Imports and Balance of Payments

2.35 International trade has always played a significant role in the development of the economy. In 1980, for example, merchandise exports and imports constituted 26 and 23 per cent of GDP respectively. Because of the importance of foreign exchange earnings to the economy, the state of the balance of payments is one of the most significant factors influencing the level of economic activity.

2.36 The structure of the balance of payments of Zimbabwe is typical of that of most developing economies. Historically there has been a significant surplus on visible trade. Since 1965 this has been achieved largely as a result of strict rationing of foreign exchange. The balance on invisibles has typically been strongly negative. This has resulted in an overall deficit on the current account financed by a net inflow of capital. Even though the economy has a relatively large industrial sector in which manufacturing contributes about a quarter of GDP, it continues to be primarily a raw material exporting economy.

2.37 From 1964, as the share of manufacturing in GDP increased, the share of manufactured goods in total exports in terms of SITC classification has declined from 15 per cent in 1964 to 6 per cent in 1979. On the other hand, the shares of mineral exports in total exports increased from 32 per cent in 1964 to 50 per cent in 1979. This implies that manufacturing has increasingly become a net user of foreign exchange and unless the sector is encouraged and assisted to achieve better export performance, its further growth and development will be constrained imposing an increasing burden on balance of payments.

2.38 In 1979 the volume of imports declined to an index of 66 which was only 58 per cent of the 1974 level. The composition of these indices is provided in Table 2.1. While all the categories show a reduction in volume, the largest relative declines were in imports of food, machinery, materials for intermediate consumption and oils and fats.

Table 2.1

INDICES OF VOLUME OF IMPORTS, 1974 AND 1979 (1964 = 100)

	1974	1979
Food	35,7	15,1
Beverages and tobacco	17,6	11,9
Crude materials	124,9	75,9
Fuels and electricity	158,7	151,2
Oils and fats	85,3	49,9
Chemicals	153,2	111,2
Machinery, transport, vehicles & spares	130,0	60,9
Materials for intermediate consumption	136,1	74,5
Goods for final consumption	69,9	48,9
Average	114,6	66,4

Employment

2.39 The economic dualism which characterizes the economy is associated with an extreme form of technological dualism which has limited the economy's capacity to create productive employment for a rapidly growing labour force. Partly because of low (production) factor substitution elasticities in some industries (such as power), and perhaps because of inappropriate factor-price ratios which fail to reflect the economy's relative factor endowments, there is a large disparity in production technologies and capital-labour ratios obtaining between the formal and the informal urban and peasant sectors. The use of labour in the informal urban and peasant sectors accurately reflects the relative cost of labour, as indicated by their labour-intensive productive activities. The modern sector has a strong bias towards capital intensity induced, in part, by the relatively cheap cost of capital and the foreign exchange allocation system, both of which grossly understate the scarcity of capital and foreign exchange.

2.40 Total formal employment grew at an average annual rate of 3,9 per cent between 1969 and 1975, with the highest increase in 1972 (7 per cent) and the lowest in 1975 (1 per cent). It fell each year between 1975 and 1979, with the largest decline in 1978 and 65 000 jobs being lost over a period of four years. Much of the decline in employment was the result of larger decreases in GDP and structural changes in sectors such as agriculture and manufacturing.

2.41 Table 2.2 shows that changes in the structure of output gave rise to changes in the structure of employment. The economy as a whole became more capital-intensive since the 1970s. Between 1970 and 1980 the share of agriculture in GDP fell by 1,2 per cent while that of the manufacturing sector increased by 4,8 per cent. The fall in the share of agriculture was associated with a somewhat greater decline in the share of total formal wage employment (2,5 per cent), while the large increase in the share of manufacturing in GDP led to an increase of only 2,4 per cent in the sector's share of total formal wage employment.

Table 2.2

GDP AND EMPLOYMENT, SELECTED YEARS, 1970 AND 1980

(Per cent of total)	1970		1980	
	GDP	Employment	GDP	Employment
Agriculture	15,1	34,9	13,9	32,4
Manufacturing	20,7	13,4	25,5	15,8
Distribution, restaurants and hotels	15,0	7,7	14,4	7,0
Public administration	6,2	4,6	8,6	7,1
Private domestic services	3,0	12,8	2,0	10,7

2.42 The increase in capital intensity is most evident in agriculture, where in 1979 an increase of 0,3 per cent in output was associated with a 1,8 per cent reduction in formal employment and an increase of 8,1 per cent in output in 1980 was accompanied by a 2,4 per cent decline in formal agricultural employment. The decline in agricultural employment in 1981 was the greatest since the economic down turn in 1975.

2.43 The reduction in agricultural employment in 1980 despite an impressive increase in the volume of output is due to two major factors. One was the relative shift away from labour intensive commodities such as tobacco and cotton — a shift partly due to administrative measures, changes in commodity prices and also increases in labour costs. The other was the increase in the relative cost of labour, which while increasing labour productivity, nevertheless had significant disemployment effects.

2.44 In manufacturing the respective increases in real output in 1979, 1980 and 1981 were 10,7 per cent, 15,6 per cent and 8,7 per cent while employment increased by 3,9, 10,2 and 9,2 per cent. Employment in public administration fell by 3,5 per cent in 1980, following increases averaging nearly 11 per cent per year since 1975. In domestic services employment has fallen since 1975 with its largest fall in 1979 (4,7 per cent). This can be explained largely by net migration and, in 1980, by the effects of the minimum wage increase. Largely because of the introduction of free primary education and the increased intake in secondary schools employment increased by almost 24 per cent in 1980 and more than 40 per cent in 1981.

2,45 In the overall economy, an increase in real output of 11,3 per cent in 1980 led to an increase of 2,6 per cent in employment. In 1981 an estimated increase of 12,2 per cent in real output gave rise to a 3,2 per cent increase in employment, of which 37 per cent was in public administration.

2.46 One conservative estimate of the annual rate of increase of the labour force in Zimbabwe is 2,9 per cent. On this basis, the net addition to the labour force in 1980 alone would be nearly 80 000, of which 25 000 (or 2,5 per cent of total formal wage employment) found jobs. In other words, an additional 55 000 people in 1980 alone remained either unemployed, joined the informal sector, resettlement schemes, or swelled the large number of underemployed in the rural areas.

Wages and Labour Productivity

2.47 Average money wages increased in all sectors in 1980. The largest increase was in education (30 per cent) following restructuring of teachers' salaries. They went up by 15 per cent in mining and 22 per cent in manufacturing. In formal wage employment average earnings increased by 3,6 per cent in real terms between 1978 and 1979. In 1981 the estimated real increase in money wages in the modern sector was 8,7 per cent.

2.48 Trends in labour productivity between 1970 and 1979 resembled the pattern of growth of GDP during the period. The period 1970-1974 experienced an annual average increase of 2,3 per cent in labour productivity in material production, with the highest growth rates occurring in distribution, mining, agriculture and manufacturing. Only two sectors, electricity and construction, registered declines in labour productivity during the period.

2.49 The real growth of 11,3 per cent in 1980 was the basis for the improvement in earnings. As already noted, this impressive growth was accompanied by a 2,6 per cent increase in formal wage employment and a large increase in labour productivity. In a number of sectors such as agriculture, domestic services, distribution, and (to a lesser extent) manufacturing, there was better utilisation of unskilled labour in order to minimize the adverse effects of increase in labour costs.

Manpower

2.50 One of the most important constraints facing the economy which may become more critical in the short term, is the shortage of skilled manpower. The magnitude of the current and future shortage will not be precisely known until the data from the manpower survey are analysed.

2.51 Two critical factors are central to manpower analysis: supply and demand. On the supply side, knowledge is required of the existing stock and net additions to (or subtractions from) it. At the moment the only firm basis for knowledge of the stock of skilled manpower available is the 1969 population census, which unfortunately, is more than ten years out of date and has been rendered largely meaningless by substantial levels of migration and other factors.

2.52 Factors likely to affect net additions to the supply of skilled manpower are: changes in participation rates; gross additions from relevant education and training institutions: upgrading; subtractions resulting from wastage, migration, deaths and retirement; changes in the degree of labour substitution in hiring; and changes in hours worked. While these factors are important in the long term, the most important short and medium-term factors affecting differentially the supply of skilled manpower are migration, skill upgrading and training. The demand for skilled manpower is directly related to the level of economic activity. While data on the past and present levels of economic activity are available and reasonable projections for the future have been made, information on related manpower structural parameters is lacking, and hence an adequate analysis is not possible. However, preliminary indications from the manpower survey data suggest important shortages in the following areas: engineering, professionals in agriculture, medical, administrative and artisan skills.

2.53 In the public sector, skilled manpower shortages of technical, managerial and middle-level administrative personnel exist at a critical moment when Government is mounting large development and other programmes. Shortages are particularly severe in some areas where skilled manpower is necessary to implement settlement and rural development programmes. This also applies to some areas of the private sector where increases in production are necessary for the attainment of plan objectives, goals and targets.

Inflation

2.54 Inflation, as measured by the consumer price index of urban higher income groups has ranged between 7 and 15 per cent per year between 1975 and 1979, years which, except for the last three, were also years of economic recession. Increases in money wages in excess of increases in productivity, monopolistic pricing in industry, increases in food prices consequent on poor harvests following bad weather, and rapid increases in import prices since the oil crisis are the main factors largely contributing to the rate of inflation between 1975 and 1979. In addition, the increases in the rate of the sales tax from 5 to 15 per cent and then a reduction to 10 per cent in 1980 have also contributed to inflation.

2.55 Between 1975 and 1977 average money wages increased by between 8 and 10 per cent annually while labour productivity actually declined. During the same period import prices increased by between 10 and 13 per cent annually and food prices by between 8 and 10 per cent.

2.56 In 1978 the rate of inflation was only 6,6 per cent in spite of a 14 per cent increase in import prices and a 12 per cent increase in food prices. This relatively moderate rate was mainly the result of an annual increase in money wages of no more than 5 per cent consequent on the wage restraint policy of 1977. The increase in money wages of more than 12 per cent following the abandonment of the wage restraint policy, a 37 per cent increase in import prices and 11 percent increase in food prices were major factors accounting for the inflation rate of 11 per cent in 1979.

2.57 In 1980 the consumer price index for higher income urban households increased by 9,2 per cent and by only 5,4 per cent for lower income families. The reduction in the sales tax from 15 to 10 per cent, its elimination on basic foodstuffs, lower rates of increases in food prices, increases in labour productivity, and reductions in vehicle expenses were the major factors accounting for the fall in inflation in 1980. In 1981 the continuing demand pressure, previous increases in money supply, capacity constraints in a number of areas and indirect tax measures contributed to a rate of inflation above 15 per cent.

2.58 Inflation cannot normally be sustained without corresponding increases in money supply over and above requirements for transactions demand. Between 1974 and 1975 the increase in money supply broadly defined to include near money, ranged between just over 5 per cent from 1974 and 1975 and about 18 per cent from 1975 to 1976. The average annual rate of increase for the period was 11 per cent. These figures viewed against the decline in real output since 1975, indicate that money supply, increasing at rates well over transactions demand, sustained inflation.

2.59 Money supply increased by more than 34 per cent in 1980, largely because of Government borrowing from the banking system. The inflationary impact of such monetary expansion was mitigated by factors already mentioned. In 1981 these did not operate with the same force, and as a result a higher rate of inflation was experienced.

Money and Finance

2.60 During UDI the financial system demonstrated remarkable ability to mobilise savings and provide the bulk of funds needed for private investment and for Government borrowing requirements. In the 1970s the system was characterised by high liquidity, a steady expansion in the money supply, and very low interest rates. Since the 1975 recession there was little investment in spite of low interest rates and over generous investment incentives because investment expansion was determined more by the shortage of foreign exchange, a poor investment climate and other factors than by the cost of capital. The high liquidity in the system provided Government with a readily accessible cheap source of money.

2.61 In an attempt to reduce inflationary pressures caused by excessive monetary expansion and other factors, the Reserve Bank, for the first time in more than fifteen years, raised the Bank rate from 4,5 to 6 per cent in late February 1981. The minimum lending rate for commercial banks was also increased from 7,5 to 9 per cent and statutory reserve balances held with the Reserve Bank were raised from 6 to 8 per cent in respect of demand deposits and from 3 to 4 per cent for time deposits. There was a further increase in the Bank rate in September to 9 per cent. The major impact of these delfationary measures can be expected in 1982.

SECTORAL ANALYSIS

Agriculture

2.62 Agriculture has played a strategic and dominant role in the political economy of Zimbabwe. It has provided a significant proportion of inputs to manufacturing and nearly all the food requirements for a rapidly growing population, often with a surplus for export. It is an important foreign exchange earner, second to mining. During the past decade it has been the second largest contributor to GDP after manufacturing.

2.63 Commercial agriculture is by far the largest contributor to formal wage employment (more than 32 per cent of total in 1980). Perhaps even more important is the fact that more than 70 per cent of the population earns its livelihood from the land. Yet it is in agriculture that socio-economic dualism is most pronounced with two radically different agricultural systems — a modern commercial sector predominantly in the hands of white farmers on the one hand and, on the other, a peasant, largely subsistence sector in which the majority of blacks live. The dualism is partly the result of the pursuit of policies and establishment of institutions designed to produce a dual system in which land distribution, organisation of marketing institutions and the development of infrastructure were biased in favour of the commercial agriculture.

2.64 In communal areas land shortage compounded by population pressures and inappropriate cropping systems and lack of adequate water has placed severe limitations on intensive dryland production. More than 4 million people live in communal lands as against 1,7 million in commercial farming areas. In the latter, with the exception of some 6 000 farmers and their families, the rest of the people are farm workers and their families.

2.65 The estimated share of peasant sector output in total agricultural output during the period 1970-1974 was more than 23 per cent. However, conditions of peasant agriculture deteriorated between 1975 and 1979 so that the average share for the five-year period declined to around 19 per cent. The decline was accompanied by growing population pressure, a high rate of land utilization (73 per cent by 1980) and a reduction in the number of draught animals.

Manufacturing

2.66 Manufacturing, well established by the late 1930s, was stimulated by four major political developments. The Second World War caused transport difficulties, resulting in shortages of industrial products, thus boosting domestic production. In 1948 the accession to power of the Nationalist Government created uncertainty in South Africa and caused an outflow of capital to the then Rhodesia, stimulating industrial growth. In 1953 the formation of the Federation of Rhodesia and Nyasaland established a larger protected market for industrial products of Southern Rhodesia. The declaration of UDI and imposition of international economic sanctions resulted in the vigorous pursuit of import substitution, giving rise to rapid growth of that sector.

2.67 Much of the sector is resource based: two industrial groupings, metals and metal products and foodstuffs, drink and tobacco, together contribute about 46 per cent of industrial value-added and provide about 48 per cent of employment. The most important industry in the metal and metal products group is iron and steel, while beer and spirits, dairy products, tobacco, slaughtering and milling are the most important in the foodstuffs, drink and tobacco group.

2.68 The sector has important linkages in the economy particularly with mining and agriculture. From these it purchases raw materials and to them it supplies final products as consumer goods and/or capital and intermediate goods. For example, it produces intermediate products such as fertilizer, chemicals and liquid fuel and supplies the bulk of consumer goods.

2.69 Although manufacturing produced more than 25 per cent of GDP in 1980, its contribution to total formal wage employment was less than 16 per cent. In comparison, agriculture,with a contribution of less than 14 per cent to GDP, provided more than 32 per cent of total formal wage employment in 1980.

2.70 The average size of an establishment in the manufacturing sector is small. In 1976, for example, about 71 per cent of establishments employed no more than 100 people, fewer than 6 per cent employed more than 500 and only about 3 per cent had a labour force in excess of 1 000 employees. There is considerable industrial concentration in manufacturing with, in some cases, no more than two to four firms producing more than 80 per cent of output in a given category.

2.71 In addition to a significant, and in some instances excessive, degree of protection from competition, manufacturing has enjoyed substantial levels of investment incentives. In the past the effective rate of corporation income tax was relatively low and double taxation was generally avoided. For example, from 1975 until the 1981 budget, firms in the sector were granted a special initial allowance on fixed investment which allowed for a 100 per cent depreciation allowance on the cost of an investment in the year of purchase.

2.72 Between 1969 and 1974 gross value-added in nominal terms grew at an annual average rate of more than 19 per cent and at 4 per cent between 1974 and 1978. Manufacturing provided a net increase of 52 000 jobs between 1969 and 1975, but thereafter employment steadily fell, with a loss of some 17 000 jobs in three years, until 1978.

2.73 Labour productivity increased by some 10 per cent during the growth years, 1970-1974. During these years the increase in GFCF in nominal terms was 35 per cent per year. It increased by a further 10 per cent in 1975 and then declined until 1979 when it began to rise again. In the first half of the seventies the total wage bill in real terms increased at an annual rate of more than 10 per cent, while value-added grew at 7 per cent. Recovery began in 1979, with nearly 11 per cent rise in volume of output over the low point of 1978. The continued existence of excess capacity, the increased allocations of foreign exchange and the surge in consumer demand were the main factors underlying the boom conditions in the sector in 1980 when value added at constant prices rose by 16 per cent.

2.74 The impact of the foreign exchange constraint, a certain amount of nervousness and uncertainty among private investors about Government's economic policies, and the existence of some unused capacity in the economy have inhibited investment in the sector. However, the continued surge in demand for manufacturing output and the obsolescence and worn-out condition of much of the existing plant indicate the need for increased investment in the near future.

Mining

2.75 Total value of mining production in 1979 was $315 million, of which $276 million, or nearly 88 per cent, was exported. In the same year mineral and processed mining products contributed 55 per cent of total value of merchandise exports (SITC classification). In the same year mining directly employed 59 500 persons, or 6 per cent of total formal wage employment, while its share of value added in GDP in current terms was 8 per cent. The sector is relatively labour-intensive, although recent trends are towards capital intensity.

2.76 The sector is predominantly in private hands with a concentration of foreign ownership and control in the hands of transnational corporations such as Anglo-American, Lonrho, Rio Tinto, Turner & Newall and Union Carbide.

2.77 Full domestic processing of minerals is normally limited to clays and gravel, nickel, phosphate, limestone and asbestos. Processing is advanced to the stage of refined metals in the case of export commodities such as copper, antimony, tin, gold and silver. Chromite is processed to ferrochrome, iron is processed to steel products and some of the gold and silver is processed into final form. In general, the degree of domestic processing is sufficient to increase the value of the processed product to a point that significantly reduces the unit cost of transportation.

2.78 The industry grew impressively between 1964 and 1979, with the value of output increasing by 85 per cent and volume (in nominal terms) by more than fivefold (from $54 million to $315 million). The industry, particularly gold produciton, suffered a substantial fall after 1976. Gold continues to be the single most important mineral even though production declined each year between 1977 and 1980. Until 1965 production of nickel, cobalt and silver was insignificant, but it grew rapidly, reaching a total of $58 million in 1979.

2.79 Employment increased at an annual rate of about 2 per cent between 1964 and 1979, with gold and asbestos making the largest contributions. Real net capital expenditures increased at nearly 6,5 per cent per year over the same period.

2.80 As a result of lower coal and asbestos production, the volume of mineral output fell by over 2 per cent in 1980. However, sales increased by 32 per cent to $415 million in 1980 despite the decline in the volume of output. In 1980 virtually all minerals increased in value, with gold taking the leading position. In 1981 there was a decline in both value and volume of produciton, primarily due to depressed world markets.

2.81 Mining faces a skilled manpower shortage and in spite of a considerable level of training the situation may not change much in the short run. The short-term transport constraint has recently limited exports of bulk, low-value minerals such as chrome and coal. Partly because the mining sector is a price taker on world markets and partly because of current depressed prices of minerals there is considerable concern within the sector regarding the potential impact of further cost increases.

Energy

2.82 It is estimated that in 1981 Zimbabwe consumed nearly 8,2 million tonnes of coal equivalent (TCE) of primary energy, or 1 100 kg TCE per capita. Domestic supplies, mainly from coal, fuelwood and electricity, constituted about 73 per cent of total energy supply. Petroleum imports were 14 per cent while electricity imports were 13 per cent of primary energy and 40 per cent of total electricity supply. Because of rapid economic growth in the sixties and early seventies, the demand for energy increased steadily until 1973. Between 1974 and 1979 it stayed constant but rose at an average of 7,5 per cent per year during the 1980 and 1981.

2.83 Estimates of the supply of primary energy in Zimbabwe show that coal has been the largest source of energy but its share of total supply decreased from 39 per cent in 1973 to 28 per cent in 1981. Fuelwood constituted around 23 per cent of the total energy supply in the seventies. The share of electricity in total primary energy consumption in 1981 was 31 per cent.

2.84 The demand for energy by sector is shown in Table 2.3. It is apparent from the table that manufacturing and commerce are the largest consumers of energy, accounting for around 39 per cent.

2.85 The phenomenal increase in oil prices in 1973 substantially increased the cost of oil imports, causing strains on the balance of payments. The value of imports of petroleum and related products rose from about $66 million in 1975 to nearly $200 million in 1981.

Table 2.3
ANNUAL DEMAND FOR ENERGY BY SECTOR
(in thousands of tonnes of coal equivalent (TCE))

	1973		1976		1979		1981	
	000'TCE	%	000'TCE	%	000'TCE	%	000'TCE	%
Agriculture	500	7	600	8	620	9	800	10
Mining	490	7	650	9	650	9	700	9
Manufacturing & Commerce	2 700	40	2 870	39	2 770	39	3 120	38
Transport	810	12	710	10	610	9	860	10
Urban domestic	200	3	220	3	250	3	270	3
Communal Lands	1 100	16	1 200	17	1 200	17	1 800	16
Other	1 000	15	1 050	14	1 000	14	1 150	14
Total	6 800	100	7 300	100	7 100	100	8 200	100

Table 2.4
SUPPLY OF PRIMARY ENERGY
(in thousands of TCE)

	1973		1976		1979		1981	
	000'TCE	%	000'TCE	%	000'TCE	%	000'TCE	%
Domestically produced								
Hydro electricity	1 590	23	1 620	22	1 180	17	1 350	16
Coal	2 640	39	2 600	36	2 360	33	2 280	28
Fuelwood	1 550	23	1 630	23	1 670	23	2 100	26
Ethanol, biogas	150	2	180	2	200	3	240	3
Imported								
Electricity	—	—	390	5	910	13	1 100	13
Oil	870	13	880	12	780	11	1 130	14
Total	6 800	100	7 300	100	7 100	100	8 200	100

2.86 High population growth, density of settlement and demand for agricultural land and serious shortages of forest and tree plantations are likely to cause serious shortages of fuelwood in the future. At present about 2,5 million people in the communal areas suffer from a critical energy shortage.

Transport and Communication

2.87 Zimbabwe, particularly in its modern sector, is generally well served with internal and external transport and communications facilities. Railway and road transport play a primary role in the system while air plays a secondary role. Postal, telephone and other telecommunications are generally adequate in the modern sector but need modernisation and replacement of worn-out and out of date equipment. They need to be extended, especially into the communal lands.

2.88 Sanctions and the war, as already noted, had a marked impact on transport and communications. Apart from the unsatisfactory level of investment, the closure of the border with Mozambique in 1975 completely changed the normal traffic pattern of external trade.

2.89 The problems and policy issues facing this factor and their resolution need to be understood in the context of *Growth With Equity*, wherein one of the primary objectives is the integration of the peasant rural with the modern economy — an objective in which transport and communications will play a critical role of providing the necessary infrastructure.

2.90 Transport and communications issues also need to be understood in their regional context. In this regard the resolution of some of the problems will depend on the establishment of an adequate regional transport and communications system, as proposed under SADCC.

2.91 In the long term, exploitation of the enormous mineral and agricultural resources of the region will require special and additional transport facilities. The existing rail network, originally designed for modest traffic, will not be adequate for the expected huge volumes. It will, therefore, be necessary to build new special railways and terminals for the transport of bulk minerals such as coal. Together with the transport sector's development in the region, a telecommunications system is necessary for further development not only for general communication but also for reliable telecommunications in running the transport systems.

2.92 The National Railways of Zimbabwe (NZR) has incurred increasing deficits since 1971. In 1979/80 the net deficit was $31 million. The increase was mainly due to rising costs unmatched by increases in revenues. The major source of increase in costs was the price of diesel fuel, a factor which demonstrates, in part, the justification of the railways' electrification programme, stage I of which is well advanced.

2.93 While the system is reasonably well run and efficient, it nevertheless faces some short-term problems, among which the most important are: shortages of motive power, acute shortage of skilled and qualified staff, and budgetary deficits.

Tourism

2.94 The tourist industry has been subject to significant fluctuation in response to changes in the number of visitors to the country. The number of visitors has experienced a staggered growth from 1964, reaching a peak of 405 485 in 1972. After that year, and primarily because of the intensification of the war, the number declined sharply, reaching a low of 79 401 in 1979 or 20 per cent of the 1972 peak. Since independence there was a sharp rebound in 1980, with the number reaching 273 371. The hotel industry has benefited substantially from this increase.

2.95 The main tourist attractions continue to be Victoria Falls, Kariba, Hwange, Great Zimbabwe and the eastern districts. Most tourists, however, pass through Harare, which also receives a large number of visitors on business trips.

Construction

2.96 In spite of its comparatively small share in GDP (for example, its share in GDP averaged 5 per cent between 1970 and 1974), construction plays a vital role in the development of the economy. The recession discussed earlier severely affected its performance. It grew at an average annual rate of 9,5 per cent between 1970 and 1974 but declined at an average rate of more than 11 per cent between 1975 and 1979. By 1980 its contribution to GDP was only 2,5 per cent.

2.97 In 1981 the sector grew at a real rate of almost 21 per cent, thus raising its output to 63 per cent of the 1974 peak level. Although it has suffered considerable loss of skilled manpower and requires a significant amount of replacement investment, there is some excess physical capacity which, however, requires considerable expansion to meet forecast demand.

Distribution

2.98 Distribution, which includes a network of retail outlets, hotels and restaurants, is the second largest contributor to GDP after manufacturing. In 1980 the sector contributed more than 14 per cent to GDP. 7 per cent to total formal wage employment and earnings. A large proportion of goods sold through the retail outlets are locally produced or assembled.

2.99 The sector, particulary its rural subsector, suffered substantially from the effects of the economic downturn and the war. For example, the volume of retail turnover fell by 14 per cent between 1975 and 1978. Lower levels of employment, real incomes, consumer and investment expenditures, all associated with the economic down turn accounted for the decline in distribution. However, it made a significant contribution to the recovery in 1980, with the trade value index rising by nearly 43 per cent compared to 1979. This was the result of increased employment, higher wage and salary levels, the increase in tourism, as well as easy access to rural areas consequent on the ending of the war.

Informal Sector

2.100 Rapid population increase and failure of the modern sector to absorb much of the net additions to the labour force, together with a substantial influx of rural migrants into urban areas and the need or desire to supplement incomes from formal employment, has given rise to a large, vibrant and dynamic informal sector. Its exact size is unknown, even though casual observations suggests that it is a large employer of labour and supplies a wide variety of goods and services to the economy. Since entry into the sector is free and unimpeded the goods and services it produces are competitively priced though in some instances there could be grounds for concern about the levels of quality, of especially some of the services supplied. In the past the sector has faced a significant degree of social, legal and economic discrimination, including some police harassment.

SOCIAL DEVELOPMENT

2.101 The foundation of the past system and approach to socio-economic development was the separation of the races and racial discrimination in economic life. Whites assumed a superior status, which was reinforced by force, education, institutional ideology and, much of the State apparatus. Blacks were relegated to an inferior status, viewed mainly in relation, and complementary to, that of whites. The economic system and its development were designed, planned and managed with a view, among other purposes, to reinforcing this ethnic dualism.

2.102 The result was an affluent white community with a small but growing black middle class, all surrounded by black impoverishment deepened by an inadequate supply of facilities for social and cultural development. The impact of the past social development is well illustrated by reference to the development of social security, social welfare, health and education.

Social Security and Social Welfare

2.103 Prior to independence social security, in terms of public assistance programmes for income maintenance to the destitute, the aged and the disabled, was almost exclusively urban-based and predominantly for whites and "Coloureds". The limited number of blacks who qualified for public assistance then obtained it on the basis of a black scale which provided lower benefits than received by whites, 'Coloureds and Asians'. The old-age pension provisions in existence were only for whites, 'Coloureds and Asians'. The problem of destitution for blacks was dealt with by forced repatriation to rural areas. Political and economic power, and general white affluence meant that community welfare organisations were better organised in white areas.

2.104 Since independence all public assistance is provided to all Zimbabweans on the basis of need without regard to racial or regional distinctions. More offices of the Department of Social Services have been opened in rural areas in order to cater adequately for the needs of all people. The old-age pension legislation has been abolished. All the war-disabled Zimbabweans and their dependants, including the dependants of Zimbabweans who died in the war, are covered under the War Victims Compensation Act of 1980.

Health

2.105 The basic historical characteristics of the health system in Zimbabwe have been concentration of health services in urban centres, racial bias in favour of whites with regard to both quantity and quality of facilities and services, a major emphasis on curative rather than preventive and primary care, and discriminatory training of professionals in the health field.

2.106 The largest and best-equipped hospitals and clinics are located in urban centres. In addition, most of the medical staff, including doctors and nurses, supply their services to urban dwellers. Within the urban centres, the white section of the population has traditionally received the best health facilities and services. For example, in 1977 the system provided one clinic or hospital bed per 255 whites as against one bed per 1 261 blacks.

2.107 The training of professional staff in the health sector was highly discriminatory and heavily biased in favour of whites. This was particularly so with regard to training of doctors, with the result that there is now a significant shortage of doctors as most non-black doctors have a high emigration risk.

2.108 As late as 1978 there were only 855 medical doctors in the country. About a third were in private practice in urban centres, where they catered mainly for upper income groups. Emphasis of a system on curative health services is revealed by the distribution of Government expenditure between curative and preventive medicine. In the 1970s 85 per cent of total Government expenditure on health was allocated to curative medicine with only 2 to 3 per cent going on preventive medicine.

Education

2.109 The educational system provided the white community with more schools supplied with adequate physical plant, well qualified teachers, appropriate pupil/teacher ratios, all of which compared favourably with conditions in industrialised countries. The curriculum was relevant to perceived requirements of the white community. On the other hand, the relatively few schools available for blacks were overcrowded, had poor physical facilities, and were manned by less qualified teachers. Education was neither free nor compulsory and in rural areas was provided primarily by missionaries. A very small percentage of the black population received secondary and tertiary education. At independence the State was spending more than 11 times as much per year on a white child's education as on a black one, and in important respects the curriculum was not relevant for the black child.

2.110 The disparity in resource allocation between races also corresponded to the urban and rural disparity in society as a whole, with even black children in the urban areas having relatively better access to relatively better schools and taught by comparatively better qualified teachers.

Housing

2.111 The current housing problems have deep roots in the past socio-economic development of the country. The migrant labour system which envisaged the black worker as a temporary dweller in commercial and industrial areas, the Land Apportionment Act which severely restricted the areas in which blacks could own real estate and population growth in relation to supply of adequate housing; all these and other factors have made a marked imprint on current and future housing problems. In addition, the huge disparity in the quality of housing, its geographical and racial distribution, were largely defined by the basic social and dualistic character of the economy already discussed (paragraphs 2.5 - 2.8)

The Conditions of Women

2.112 Women form 51 per cent of our population. They were neglected by colonial regimes. They did not have equal access to employment and education and were also discriminated against ownership and property rights. Women were oppressed under the guise of culture, custom and tradition. These factors, among others, largely inhibited their development and also limited the contribution of women to the development of the economy.

Community Development

2.113 Previous colonial administrations neglected the development of rural areas. Rural communities suffered from acute problems of diseases, malnutrition, illiteracy and poverty. They designed and implemented schemes of community development which were essentially geared towards formation of local government (councils). It was difficult to achieve genuine self-reliance in the context of these schemes. Very little effort was made to enable rural communities to be self-sufficient in the provision of basic human needs. Participation of community members at grassroots level, in decision-making and in the improvement of the quality of their lives, was not encouraged. There was inadequate State support to assist local communities. Funds to meet efforts of local people in improving their infrastructure were not adequate.

CHAPTER THREE

NEW SOCIAL ORDER

3.1 The inherited economy of Zimbabwe has enormous potential for growth and development if all the energy and resources of its people can be released and utilised through dynamic socio-economic institutions but, as will have been apparent from the preceding Chapter, it is pronouncedly dualistic, has a high degree of foreign control and was primarily designed to benefit a small segment of society. It has, on the one hand, an advanced modern sector and, on the other, a historically depressed and impoverished rural peasant sector. The two sectors, however, are not functionally separate and of particular importance in this regard is that the one, the modern sector, has historically fed on the other. This exploitation has resulted in gross income and wealth (particulary land) inequalities, especially between the black majority and the white minority. Government is anxious to reduce the degree of foreign control by increasing state participation in the economy, and establishing new socio-economic institutions run and controlled by the people.

3.2 Given this situation and against the general background described in Chapter 2, of many distortions to the economy brought about by UDI and international sanctions and the devastating effects of the war on the rural economy, the very first objective of this Transitional National Development Plan is to remove these historical distortions and the undesirable characteristics of the economy discussed earlier and elsewhere in this Volume as well as in Volume II. Past development plans or programmes such as they were in Rhodesia, were basically instruments of advancing the interests of a small section of society. The development plans for the new Zimbabwe seek to advance the interests of the broad masses of the people and of the nation as a whole, and to lay down the foundation for the creation of a free, democratic and independent socialist nation.

3.3 The underlying philosophy of the Transitional National Development Plan is that the structure of property relationship has to be transformed in Zimbabwe in order to create the basis of a socialist order. This goal cannot be attained overnight, for the physical process of achieving the correct relationship between the masses and the means of production, not being an end in itself, must be accompanied by vigorous programmes of training and of ideological and political education in order to provide such qualitative dimensions to the transformed structure of property relations as will enhance and maximise their productivity. The Transitional National Development Plan is thus the first step in the direction of this socialist transformation.

Economic Struggle

3.4 An economic struggle, like the political struggle we waged for our Independence, must be defined in terms of both its objectives and the appropriate means to be applied in order to achieve those objectives. But the means to be adopted must, if they are to relate effectively to the defined goals, also take account of the enemy or problem situation as defined and evaluated by the planners. The problem situation in independent Zimbabwe is that created by the inherited system of capitalist exploitation that invariably assumes a neo-colonialist form in Third World countries. Under such a system, the means of production, and so economic power itself, remains in the hands of a privileged bourgeois class, even though political power might have long been transferred into national hands by way of majority rule. This system saps the labour of the people and renders them mere objects of production *in an economic order in which the capitalist few continuously accumulate wealth, thus growing richer* and richer as the peasant and working majority are growing poorer and poorer.

3.5 The advent of colonialism to Zimbabwe in 1890 was also the advent of a capitalist system to the country, and the twin relationship between capitaism and colonialism in this country is best revealed by the historical occupation event whereby the colony of Southern Rhodesia was created through the instrumentality of the British South African Company, a chartered company with both political and economic interests. The mode of colonisation reveals the very nature of Cecil John Rhodes in whom capitalism and imperialism found a harmony and who, in characteristic fashion, regarded imperialism as "a bread and butter" question for England.

3.6 It is not surprising that between 1890, the year of colonial settlement, and 1980, the year of Independence, a small settler minority was able, in progressive stages, to carve out for itself a large package of exclusive economic rights and privileges alongside an equally large package of similarly exclusive political rights and privileges. The monopoly of political power, which yielded for the settler minority a formidable legislative and administrative apparatus, enabled it to transform traditional and customary communal property relations into new individualist forms whereby a small minority acquired ownership of the largest and most fertile land areas in the country. As time went on, primary and secondary industry sprang up on the basis that the white settler community owned the means of production, thus creating a disequilibrium in the pattern of economic rights and privileges in their favour. The paramountcy of settler political and economic power became an entrenched phenomenon of our socio-economic order. Capitalism was progressively boosted as more and more foreign companies entered the economic scene, establishing in the process a multi-national dimension to the structure of property rights.

3.7 The political and military struggle which our nationalist forces waged had, as their immediate goal, the achievement of independence and the establishment of a democratic political order. What we attained on April 18, 1980, was thus our most immediate goal of political independence, leaving the goal of economic independence to be achieved later. Property relations have thus remained basically unchanged. Land ownership, though changing, still leaves most of the land *per capitum* in white hands. Almost the entire mining sector is in the hands of foreign multinational companies with vested interests. Similarly, almost all the banking, financing, insurance, shipping and freighting industries are in the hands of foreign and vested interests. A considerable stock of capital and the technical knowhow that goes with it come from, and are under, foreign control. This pattern and structure of property relations is obviously opposed to the socialist and nationalist principle of vesting the ownership of our country's resources in the people of Zimbabwe through their socialist or State organs. Our independence and political power should now transform into an instrument for establishing an equitable socio-economic order.

3.8 Because the capitalist exploitative system is international, developing countries cannot as individuals successfully tackle the system. Therefore, in order to strengthen our national position in the struggle for economic liberation, Zimbabwe has found it fit to join hands with other African States in Southern Africa in establishing the Southern African Development Co-ordination Conference (SADCC). This young regional organisation provides a new framework for the meaningful economic co-operation and development of independent African nations in the region, helps reduce their external dependence, and advances their frontiers of liberation. If we are to pursue our national ideals, regional unity must be firmly maintained amongst independent southern African States. On a broader geographical scale, and in particular in the field of trade, the Preferential Trade Areas of Eastern and Southern Africa, of which we also have become a member, will contribute towards the same end. No State can pursue and realise its development policies in isolation.

The People The Motive Force for Change

3.9 Throughout history it is the people who have constituted a dynamic motive force behind material cultural and social development. The people are both the object of our socialist policies and the means with which we achieve those policies.

As long as the ownership of and control over the means of production continue to be in the hands of the privileged groups in society, the bulk of the people are destined to remain mere wage earners, to be exploited and manipulated at will by the bourgeoisie. It is therefore imperative that the people who constituted the revolutionary force which charted the course of our political history be fully liberated to chart once more the course of our economic history. It is they who must provide the essential motive force for change. The general strategy of the Transitional National Development Plan is to provide a solid framework and basis for participation by popular mass organisations and to create new socio-economic institutions capable of harnessing and utilising the resources of the people.

3.10 The people in Zimbabwe fall into various classes and social groups. The first of these is the *peasantry* who constitute over 70% of the population and live in communal areas, formerly designated as native reserves or tribal trust lands originally carved out to them under the Land Apportionment Act, 1930, later the Land Tenure Act, 1969. Not only is the soil in communal lands poor, but the land itself is so insufficient that many of these areas are over crowded resulting in many peasant families having little or no land. The social and economic infrastructures in the areas are poor. It is mainly from this class that the working class in the various sectors of the economy has been built. The development of the peasantry and the communal lands through a multi-faceted resettlement programme involving various ministerial arms of Government is the major concern of the Transitional National Development Plan. In its main thrust, the Plan will seek to correct the existing imbalance between the depressed rural communal sector and the developed sectors of the economy by injecting adequate factor inputs into the former sector as well as by the vigorous involvement of the peasantry in the production processes envisaged under the Plan programmes. It will be necessary to organise the peasants into Peasant Associations as an important means of creating in them a greater consciousness of their productive role and of facilitating their co-operation and stimulating the collective spirit.

3.11 The next important category is the *working class*. The advent of colonialism and the capitalist system it established in the country created a demand for full-time workers to serve and sustain the various sectors which had emerged, such as commercial farming, mining, manufacturing, commerce, and domestic service. This class of wage-earners has throughout the colonial period suffered great exploitation resulting from meagre wages and generally poor conditions of service. Workers were, for political reasons, not allowed to organise themselves into strong trade union, lest they challenge the colonial regime. With Independence, an opportunity has been created for the organisation of the workers into trade unions and workers' committees, for the improvement of their conditions of service, and for the development of the workers' consciousness of their role and of the national goals they should help achieve. In accordance with Government's socialist principles, the workers' role and status will be progressively and purposefully developed until the workers have reached a self-management stage. At present, worker strength is estimated at one million. This number is bound to grow progressively as the country becomes more and more industrialised. In the end, the working class will undoubtedly comprise the largest class and thus as the national proletariat will wield more economic power.

3.12 The next category consists of *intellectuals and professionals*. This category includes various groups such as lecturers and teachers, medical doctors, engineers, administrators, nurses, university and secondary school students. Some of these groups exert a powerful influence over the community. Hence it is vital that their ideological and political consciousness be raised so they can act as the intellectual vanguard in piloting and promoting national policies and programmes.

3.13 The other category is that of members of the *public service and the security forces* (Army, Police, Prison Service and National Security). In view of the envisaged greater participation by the State in the country's economy, it is important that all those engaged in the various organs of the State be made fully aware of the policies and objectives of Government under the Transitional National Development Plan so they can discharge their respective responsibilities accordingly. The maintenance of peace, law and order, is a *sine qua non* for the successful implementation of the plan, for, without a correct environment in which dissident activity, banditry and lawlessness are eliminated, the pace and efficacy of our national effort will be difficult to achieve. The national army comprises a very large percentage of former guerilla cadres who assisted in the organisation of new socio-economic institutions in liberated zones. These and others in the national army must be made an important ingredient of the national effort directed at the transformation of our society.

3.14 There is then the category of the *middle bourgeoisie and capitalists*, some of whom are national and other foreign and multinational. The Transitional National Development Plan, whilst it seeks vigorously to effect a great measure of socialist transformation within a three-year period, recognises that the process of establishing a socialist state is bound to cover several stages. The first stage, which is sought to be covered by the current plan accepts the role of private enterprise in those areas and sectors which will not be affected by public sector programmes and these cover several sectoral areas in farming, mining, manufacturing and commerce. Private enterprise will be expected to make its own investment thrust, improve its technology and production methods, so it can attain the production targets assigned to it under the National Development Plan. Paradoxically, this stage must see a partnership in operation between the State and private enterprise. The commercial farmer, the mining company, the manufacturer and the trader must be regulated and co-ordinated by the State in such a manner as to make them serve the national interest.

3.15 The *Petty Bourgeoisie* comprises the other category. This includes small business people who own no means of production and includes the handicraftsmen, small traders, self-employed artisans and individual small miners, who are engaged in small-scale production. This class will be assisted in forming co-operatives so they can expand their services to the people in a socialised way, but the State must guard against the selfish desire to develop their individualism and transform themselves into the middle bourgeoisie.

3.16 These are the main classes and social groups of our people. The development strategy of the State will serve to advance their broad interests by mobilising them to participate collectively in re-organising the national economy. In this regard, Government will provide the institutional environment necessary for the establishment of popular mass organisations, and lay great emphasis on youth mobilisation through youth brigades and the mobilisation of women through women's clubs and women's brigades. There will as well be created new socio-economic institutions that will harness and utilise the physical and mental energies of our people. Government will also preserve and promote the spirit of self-reliance that is characteristic of our tradition.

The Ultimate Goal

3.17 As already envisaged in the Government's Economic Policy Statement — *Growth with Equity* — the fundamental and ultimate goal and aspiration of the people of Zimbabwe is the establishment and development of a democratic, egalitarian and socialist society, set in a dynamic framework of a developing economy. When that ultimate goal is achieved, the current exploitation of Zimbabwe citizens by others will have been eliminated on the basis of a fundamental transformation of the ownership and use of the means of production and other social institutions. That goal is long-term, but the task is urgent and progress in that direction must begin now.

In this respect therefore, the State will play a leading role in the struggle for economic liberation of the country and its people; this in essence is what planning is about. This will be carried out along several fronts. The state will promote and support the people's collective efforts in establishing co-operatives. Workers' committees will be developed into self-management committees in urban and rural areas. Steps will be taken to facilitate the participation of workers in production management through committees at the work-place and the shop-floor in all government and parastatal operations, and in private activities. Self-management will be encouraged through the implementation of a programme of promotion and financing of co-operatives, self-managed enterprises and other forms of self-management in both urban and rural areas.

Removal of Features of the Colonial Regime

3.18 Given the existing system as described earlier, only a limited number of objectives can be achieved during the plan period. These objectives are in the main designed to remove all existing features of society introduced during the colonial era. On the economic front colonial practices and trends will be eliminated so as to decrease external dependence and reorient the system of production and distribution toward the satisfaction of genuine national and popular interests. This requires a fundamental transformation of the economic system.

3.19 Changes in relationships among socio-economic classes will be aimed at the removal of those features of the inherited system that resulted in the exploitation of workers and consumers. In this respect during the period of the Plan Government will endeavour to accomplish the following:

(a) establishment of suitable levels and forms of remuneration for workers, including periodic adjustable statutory minimum wage levels.

(b) enforcement of suitable working conditions to safeguard the physical and psychological health of the workers, and uphold human dignity.

(c) the requirement that all those who own, control and direct the means of production contribute significantly to the improvement of living conditions for their workers through provision of such social services and facilities as adequate housing and related services, schools, health services, transport and other amenities.

(d) reinforcement of the bargaining power of workers through promotion of well organised and strong unions and regulation of the bargaining process between employers and workers.

(e) regulation and control of distribution, marketing and price levels of commodities and services destined for mass consumption, particularly food, clothing, medicines, education materials, public transport, housing and recreation facilities.

New Socio-economic Imperatives

3.20 Another major task before Government during the plan period is the building of new socio-economic institutions that accord with government's political philosophy. The most important task is to build these institutions on a more democratic basis, including a greater degree of worker participation in management and decison making in enterprises.

3.21 The biggest of the changes envisaged in this plan will take place in rural areas where the majority of our people live. The agrarian reforms that are already underway will continue and additional reforms will be introduced. Peasants in communal areas will be helped to organise themselves into new centralised villages and then proceed to form co-operatives. For those who will move to new areas opportunity will be taken to resettle them on a co-operative basis.

3.22 In order to accelerate and influence the pace of agrarian reform government plans to establish state farms in every province. These farms are intended to serve as models for peasants' co-operatives and also as a translation of government policy into action. On these farms peasants will be involved in the management, control and utilisation of the land and in the equitable sharing of benefits. Model state farms will incorporate infrastructural and support services including training, marketing, credit and transport.

3.23 Equally important changes will be introduced in the mining and commercial farming areas. The nearly one and a half million African workers and their families residing there need a better economic deal. Measures will be taken to give them permanent resident status in these areas so that they may enjoy political, social and economic rights. Similar changes are required for industrial, commercial and financial institutions workers.

3.24 Other additional changes that will be introduced are:

(a) participation in and ownership of a significant proportion of the economy by nationals and the State. This will imply, on the one hand, the collective participation by Zimbabweans in the ownership and management of key private enterprises and, on the other, control by the State of some activities and enterprises considered to be of interest for the economic and political security of the nation.

(b) regulation of the use of basic productive goods, services and activities so that production may contribute more effectively and more fully towards the fulfilment of Plan objectives. Some criteria such as profitability of production, and suitable types of technology, as well as measures such as incentives and disincentives will be instituted by Government in order to stimulate and direct production.

(c) re-orientation of the production system so as to generate the goods and services needed for national development as well as for popular consumption.

3.25 Finally, two forms of socialist property relations will be introduced during the transition period — co-operative enterprises, and state participation in production, distribution and allied services. The co-operative system is best suited when peasants have freely accepted its importance and advantages as a new form of production and distribution. The co-operative system will also be applied in such areas as trading and transport. The state sector will take mainly the form of state participation in key sectors of the economy. The surplus generated by the state will be transferred mainly to socialist oriented sectors. The private sector will be regulated through state policy in order to make it more responsive to defined national goals.

3.26 During the plan period then, progress will be initiated in an endeavour to alter the inherited socio-economic system. All changes will be aimed at eliminating vestiges of the colonial era and deliberately introducing new forms of organisation in the social, economic and political spheres so as to produce the envisioned socialist democratic society.

CHAPTER FOUR

OBJECTIVES AND STRATEGY

4.1 The objectives, strategy and priorities outlined in this chapter relate primarily to the plan period. They are, however, conceived within a framework of longer-term objectives and strategy designed to maximise the socio-economic welfare of Zimbabweans and to bring about a new Zimbabwean society, the basic elements of which were described in the preceding chapter. They recognise and seek to change the basic character of, and constraints imposed by, the inherited socio-economic system, the main features of which were analysed in Chapter Two.

OBJECTIVES

Economic Growth

4.2 Rapid and sustained economic growth is a primary objective of the plan. The planned annual average real rate of growth of the economy is 8 per cent over the three-year plan period, 1982/83-1984/85*. Analysis and assessment of the economy, its recent performance in the decade prior to the recession of 1975, the potential of its sectors, and the planned measures required to attain the target rate, all suggest that while ambitious, this rate is realistic and attainable.

4.3 Measures to achieve that target rate require constant attention to a number of actual and potential constraints on growth, the most important and current ones of which are in the areas of foreign exchange, savings, investment, inflow of capital and skilled manpower. Government is fully conscious of the fact that the attainment of the target rate is neither automatic nor inevitable but can only be the result of deliberate measures, the adoption and implementation of which it is fully committed to. It realises that its attainment requires the full mobilisation and sustained efforts of the people of Zimbabwe as a whole — the means and end of this whole development effort. The whole process requires effective mobilisation of domestic and external resources and imaginative but realistic investment and production policies as well as measures in both the public and private sectors.

Full Employment

4.4 Government is committed to attaining and maintaining full employment. In the plan period the goal will be to create maximum possible levels of additional employment, as the attainment of full employment in this period will be difficult in view of a number of constraining factors, including the following:

(i) the high degree of unemployment and underemployment already existing but the exact quantum of which is unknown;
(ii) the relative capital intensity of the modern sector which limits its capacity to generate high levels of employment and the changing of which requires considerable time;
(iii) the significant social, legal, economic and financial descrimination against the informal sector which limits the sector's capacity to generate higher levels of employment than at present; and
(iv) the high estimated net addition to the labour force relative to the economy's capacity to generate productive employment.**

4.5 Government will formulate and implement policies and measures to create the maximum number of new jobs consistent with the target rate of growth and maximum effort to remove the constraints posed by the existing economic structure. It will take necessary measures to ensure that its rural development and resettlement programmes, establishment of small and medium-scale industries in rural areas, policies designed to remove discrimination against the informal sector, as well as policies and measures to stimulate investment in the modern sector, play their respective roles in creating additional employment.

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* *The choice of an 8 per cent real rate growth was made in* ***Growth With Equity****. The basis for the choice is given in Chapter Five paragraph 5.2*

***As already noted the conservative estimate of net annual addition to the labour force is 80 000, as against, for example, 25 000 new jobs created in 1980 when the economy achieved an impressive 11,3 per cent real rate of growth (See Chapter Two, paragraph 2.46).*

Economic and Social Welfare

4.6 Equity, conceived and pursued within the framework of a growing, dynamic and developing economy, is a key and central objective. In the first instance Government is resolved to reduce the wide disparity in incomes, wealth and economic opportunities existing between the majority of inhabitants of the rural sector and modern sectors. As already noted, Government will also take measures such as removing unnecessary discrimination against the informal sector and providing it with adequate economic and physical infrastructure, aimed at improving the economic and social well-being of workers in this sector.

4.7 The attainment of the twin objectives of growth and equity is difficult and may in some cases be impossible particularly in the short term. There are, nevertheless, a number of factors which make it possible to attain equitable growth in the long term. Of these the following need underlining:

(i) removal of significant distortions in the inherited economy (such as in land distribution, manpower training programmes and access to education and health facilities) which are promotive of growth as well as equity;

(ii) successful mobilisation of international economic and financial support at ZIMCORD, which will not only provide the required resources for reconstruction and restructuring of the economy and for manpower training and land distribution and rural development, but will also stimulate the rest of the economy and provide it with additional foreign exchange and so minimise competition for scarce resources for, on one hand, modern sector development and, on the other, land settlement, rural development and manpower training.

4.8 A number of policies and measures, including the following, will be directed towards achieving equity:

(i) elimination of all forms of discrimination in social and economic life throughout the economy;

(ii) redistribution and development of land and resettlement of the maximum number of families possible over the plan period;

(iii) training of manpower at all levels of skills and responsiblity;

(iv) enforcement of minimum wage regulations;

(v) expansion and qualitative improvements of social services, notably education, health and housing;

(vi) increased access by low-income groups to public facilities and social services and, in particular, the extension of the physical and social infrastructure in the communal areas to ensure that peasant farmers have ready and adequate access to marketing facilities, extension services and credit and so increase their productivity;

(vii) removal of social, legal and economic discrimination against the informal sector; and

(viii) removal of unjustified discrimination against women in social and economic life.

Reconstruction

4.9 Socio-economic reconstruction is an immediate objective designed to launch the economy onto its long-term development by restoring its physical infrastructure and productive capacity damaged during the war and, revitalising those aspects which suffered dislocation or neglect because of the war and sanctions. The attainment of this objective is seen as a precondition and foundation for the pursuit of longer-term ends. The process of reconstruction (already well under way) will be completed during the plan period. Care will be taken to ensure that the restored infrastructure and renewed economic machinery will serve the new rather than reinforce the old order.

Socio-Economic Transformation

4.10 During the plan period policies and measures will be taken and new institutions established for transforming the socio-economic system towards more socialised forms of production and distribution, further exercise of sovereignty over national resources and more effective participation of the people in socio-economic activites. The establishment of the Zimbabwe Development Corporation and its subsidiaries will play a major role in the envisaged economic transformation.

DEVELOPMENT STRATEGY

4.11 The strategy adopted to achieve the objectives of the plan is one of growth with equity and transformation. It is a problem-solving oriented strategy which aims at providing efficient solutions to the urgent problems of reconstruction, growth, equitable distribution of income and wealth and socialist transformation.

4.12 It is a strategy cast in a general framework which defines the set of agreed policies and measures which, in view of the objectives of Government and the Zimbabwean society, require that, to be admissible in the programme of action, they should be:

(i) promotive of rapid and efficient economic growth and development and equitable distribution of income and wealth;

(ii) people-oriented and aimed at the attainment of full employment and full development of Zimbabwe's human resources, both as a factor in, and as an end of, development;

(iii) promotive of greater participation in, and control of, the national economy, and over natural resources by nationals, and by the State itself; and

(iv) promotive of, or at the very least, not impede the attainment of a socialist egalitarian society.

4.13 The strategy requires a comprehensive structural and institutional reorientation of the inherited socio-economic system to facilitate its eventual transformation. In addition to reorientation of existing institutions it also requires the creation of new organisations which will underpin the new order. In this regard the people of Zimbabwe will have to play a dominant role in both the reorientation and the creation of new institutions. New educational and manpower programmes relevant to the needs of the new order will, for example, be required to provide institutional and organisational support. Others in community development will need to train and strengthen community leadership capabilities. No less important will be the need for self-help and collective self-reliance. The strategy also requires the enhancement of popular participation.

4.14 In the economic arena, the strategy requires increased domestic participation, ownership and control of the economy by nationals and the State and active worker participation and involvement in decision-making in industry and agriculture. It requires the establishment of State farms and encouragement of the development of co-operatives in both the urban and rural economies. The strategy requires the attainment of rapid rates of economic growth, which implies the expansion of the economy's capital stock and increasing exports to earn the much-needed foreign exchange.

4.15 To promote equitable growth and, in order to redress the gross imbalances between the modern and rural peasant sectors, the strategy emphasises rural development and land settlement schemes. The need for efficient and balanced growth and development and the emphasis on rural development and agricultural production provide a basis for socialist development. The strategy requires rationalisation and expansion of production and a strengthening of backward and forward linkages between light and heavy industry, agriculture and the resource sector.

4.16 The reconstruction of the economy has to be an integral part of the long-term development strategy, which recognises certain historical, sectoral and other inherited imbalances, the redressing and reform of which requires urgent attention. Implementation of the programme of economic rehabilitation provides a firm base for growth and balanced development of the economy as a whole, while simultaneously making the first necessary steps towards the equitable distribution of land and of benefits from growth. The rural reconstruction programme is so designed as to incorporate the requisite infrastructure for future rural development.

4.17 The reconstruction and development programme will include provision for significant replacement and renewal of machinery and equipment in order to rebuild the economy's productive capacity. Large amounts of foreign exchange will be needed to meet import requirements for capital replacement and new capacity as well as for intermediate inputs required to sustain production at target levels. The role of foreign exchange earnings in this is critical and it will be essential to maximise export earnings and to allocate foreign exchange reationally so as to achieve the necessary balance of priorities.

4.18 It will be necessary to generate high rates of domestic savings in order to finance the planned investment programme and utilise external assistance pledged at ZIMCORD. A number of policies and measures, including fiscal and monetary, will be taken to ensure the generation of the required levels of domestic savings.

4.19 Legitimate increases in expenditures on social services will be accommodated but these and other services as well as subsidies will be strictly disciplined. The present rather open-ended financial commitments to some subsectors of the social services sector will be reviewed and additional recurrent expenditures will have to be justified in terms of cost effectiveness in achieving objectives. Savings thus effected will be directed towards capital formation and assisting in strengthening self-reliant efforts especially of poorer communities. Deficits in the central Government's recurrent budget will be reduced and eventually eliminated through budgetary restraint resulting in the central government being a net saver by the end of the plan period.

4.20 Small and medium-scale industries will be encouraged in the rural areas in order to create large amounts of productive employment. In the modern sector policies and measures will be taken to encourage labour-intensive production methods. These will include incomes and monetary policies as well as the pricing of capital and foreign exchange. Their net effect will be to induce appropriate wage/rental ratios in the economy to ensure that capital will not be underpriced relative to labour. At the same time care will be taken to preserve necessary incentives for increasing investment and output and thereby generate necessary levels of employment.

4.21 In order to restructure the economy fundamentally, a number of economic imbalances will be redressed. Chief among these are the gross disparities in the level of development of the modern and rural peasant sectors and the skewed incomes and wealth distribution between and within broad economic sectors and racial groups. Land redistribution and rural development programmes will aim at a progressive reduction in the disparities between the modern and rural peasant sectors. Comprehensive schemes of manpower training and development including appropriate incomes policies will be directed towards reductions in incomes and wealth inequalities within sectors, while active affirmative action and measures will be directed towards elimination of racial and sex inequalities in social and economic life.

4.22 Greater participation in the economy by nationals and the State will be promoted by, among other things, the creation during the plan period of appropriate institutions such as the Zimbabwe Development Corporation, the Zimbabwe Tourist Corporation, the Mining Development Corporation, and the Zimbabwe Development Bank.

DEVELOPMENT PRIORITIES

4.23 The existence of an adequate social, economic and physical infrastructure is essential for overall balanced and efficient growth and development of the economy. During the plan period priority will be given to the repair and enhancement and expansion of the rural infrastructure, including roads, bridges, water supplies, schools, health clinics, and agricultural extension services. In addition, the urban industrial infrastructure, including transport, power, posts and communications, and the social infrastructure will be given due attention. The large public sector investment programme which is described in Volume II of the Plan is designed to meet the infrastructural requirements of the economy in a balanced and co-ordinated manner.

Rural and Agricultural Development

4.24 Government will pursue a three-pronged strategy to enhance the economic viability and equity of the rural and agricultural sector:

(i) it will adopt measures designed to maximise output, enhance food security in the country and the region, and fully exploit export potential and the sector's strong forward linkages with manufacturing;

(ii) it will adopt measures to reduce existing unjustified differentials in physical infrastructure between commercial and peasant agriculture and will accelerate land resettlement schemes; and

(iii) it will restructure the scale, character and spatial order of agricultural production to make better use of natural endowments.

4.25 Existing discrepancies in the ordering of urban settlements will be corrected by balanced investment in growth and rural service centres. The intention is to bring the rural population into close contact with services and markets, thus forging linkages with the national economy and stimulating the development of local markets, with regional specialisation and a multitude of informal employment opportunities.

4.26 Co-operatives will be encouraged and supported by introducing an appropriate legal framework, personnel training and finance. In particular, Government will seek improvement in the utilisation of transport and traction equipment and in the conservation and husbandry of renewable resources, especially timber and grasslands. Incentives will be provided to communities to ensure efficient utilisation of common resources such as grazing land, forest areas, woodlots and water.

Housing and Community Service

4.27 In order to reduce the huge accumulated deficit of housing and related services in the country, a strategy of housing with equity will create social, economic, technological and institutional conditions which will assist all sectors of the population to progressively improve their housing and related services at a rate commensurate with the rate of economic development and their self-reliant efforts.

4.28 The concept of housing with equity allows for a solution to housing problems for all socio-economic groups. It provides for new housing construction with financing on commercial terms for medium to high income groups at the same time as it provides for a nationwide programme of construction of houses to meet the dwelling, basic settlement and sanitation needs of low-income groups with assisted financing and technical and community aid. Increased production of building materials will be encouraged and promoted while Government will ensure the availability of urban land and provision of related infrastructure.

4.29 Local authorities will be responsible for providing specific solutions to the housing problems by applying their initiative and exercising their co-ordinating role. Policy measures will be undertaken to facilitate joint ventures by municipalities, communities, employers and the State for the provision of integrated and coherent urban development programmes.

4.30 In the rural areas activities will be undertaken within the framework of rural development and resettlement programmes in a way which links housing and related services to production, employment creation and the overall improvement of the rural environment.

4.31 The following key components of the housing strategy will be incorporated:

(i) full involvement of families, who will contribute either their savings or their labour and other self-helps inputs;

(ii) a collective or community approach designed to achieve coherence and efficiency in matters of functional design, costs, and environmental considerations, and also designed to promote co-operative forms of organisation in urban and rural areas;

(iii) co-ordination between municipalities, the appropriate ministries (Local Government and Town Planning, Housing, Lands, Construction, Health, Education, etc.) and related communities: and

(iv) development of appropriate building technologies which are cost-effective and environmentally and culturally acceptable.

A National Housing Authority whose main function will be to develop and formulate a consistent national housing policy will be established.

Energy

4.32 Domestic energy sources such as coal and ethanol will be developed to reduce the fuel import bill and to achieve greater self-sufficiency and security in energy. Research into renewable energy sources such as biogas and solar energy will be encouraged and promoted while adequate measures for energy conservation will be introduced. In addition to increasing production of fuelwood, it is intended to develop means of using wood and of processing wood waste in order to increase efficiency in utilisation. As a result of consideration by Government of studies undertaken in the power sector, a rational plan and sequence of power projects will be formulated and appropriate components implemented during the plan period.

Water

4.33 In order to maximise socio-economic benefits from the nation's water resources, Government will control the planned development and management of the country's river systems. Water resources will be developed to reduce, as far as possible, dependence on (often) unreliable rainfall. Government will own and operate major storage works. Necessary data will be collected and investigations carried out to establish a master plan for the rational development of water resources. Particular attention will be paid to the promotion of interregional and multipurpose projects to serve growth points and irrigation water will be given primary consideration in the development of all water schemes.

Transport and Communications

4.34 Existing capacities in all modes of transport will be effectively utilised. While the shortage of motive power on the railways has, to a considerable extent, already been overcome in part through the refurbishing of locomotives and the acquisition of additional ones, more efforts will still be needed to expand and improve the railway system. The current shortage of skilled manpower in this sector will be remedied through a combination of accelerated training programmes and an interim employment of expatriate personnel. Substantial measures will be taken to improve both public and private road transport systems. Appropriate machinery will be set up to co-ordinate the utilisation of the various modes of transport. Rural areas will receive particular attention in telecommunications development and measures will be undertaken to reduce the backlog of demand for telephone services through training of personnel and acquisition of suitable equipment.

Education

4.35 Education, culture and training will be utilised as a means, but also regarded as a requisite of equitable growth and development and will be the main instruments for eliminating adverse features of the colonial culture, particularly those that disparage local culture, underestimate its valuable contribution and run counter to national interests. Appropriate attention will be given to the role of education in imparting new values, attitudes and motivations associated with the new society and with liberation of human potential both individually and collectively. Apart from social requirements, the growth and development of the education system will be related to the demand for creative and productive skills in the economy.

4.36 Since independence Government has responded to the demand for more primary and secondary school places by increasing school enrolment enormously. This expansion, however, has taken place without adequate educational planning and co-ordination with manpower training, with little curriculum reform, without sufficient attention being paid to the spatial distribution of school facilities, and against a severe constraint of both the number and the quality of available teachers. Government recognises that mere quantitative expansion is not a sufficient condition for achieving its broad educational objectives. During the plan period measures will be taken to effect adequate educational planning and co-ordination with manpower planning and to introduce qualitative changes in the educational system. Much attention will be directed towards reducing unit cost of education, particularly at tertiary levels. Attention will also be directed to adult education while increased support will be given to programmes that combine general education with technical and practical training in productive activites.

4.37 A National Programme for Communication and Participation will promote educational, cultural and training activities and define new values and knowledge necessary for the promotion of our independence, unity, development and self-reliance.

Training

4.38 Technical and vocational training will be carried out in vocational schools, technical colleges and on-the-job. Government will encourage and promote the establishment of training facilities in work places. Judicious use will be made of expatriate workers to train Zimbabweans during terms of their contracts.

Health

4.39 The major emphasis in health will be on preventive health care and promotion of healthy lifestyles for the entire population. The main thrust of health programmes will be in rural areas currently suffering from the effects of past neglect. A National Health Service will be established to implement Government policies and programmes in the health field.

Manufacturing

4.40 Government intends to promote the growth and development of the manufacturing sector. As the leading sector of the economy its growth will contribute substantially to the attainment of the planned real economic rate of growth. Technical and managerial skills will be developed to ensure greater local participation in the sector at intermediate and higher levels. While following realistic policies towards foreign and domestic private investment, Government will participate in the ownership and control of some enterprises in the sector if this is deemed to be in the national interest. Fiscal and other measures will be provided in order to stimulate investment and output and give an outward orientation to the sector. Special incentives will be provided for small and medium-scale enterprises, particularly in rural areas and growth points. To achieve balanced growth of the economy, industries within the sector and within agriculture and mining will be encouraged. Labour-intensive industries in which the economy has dynamic comparative advantage will receive special encouragement. Technologies utilising local inputs will be preferred to those dependent on imports. An effective relationship and machinery for co-operation between Government and the private sector will be sought to ensure unity of broad objectives and direction of the sector.

4.41 Government will take measures to ensure that the sector in general is more export-oriented than is currently the case and will encourage and promote the growth and development of those industries in which the economy has comparative advantage.

Mining

4.42 The mining industry will receive appropriate incentives to increase output and investment while ensuring that workers receive fair returns for their labour. Measures will be taken to upgrade the skills of existing workers and increase their productivity. The Minerals Marketing Corporation, a new Government agency, will ensure rational marketing and receipt of maximum returned value from mineral exports. Greater processing of minerals will be encouraged and promoted to increase value added, reduce transport costs, raise foreign exchange earnings and provide more employment opportunities.

Export Promotion

4.43 Government will encourage and give necessary and appropriate assistance in terms of export incentives, design, equipment, availability of imported inputs, research, and manpower development to enterprises in order to promote rapid growth of exports. This will involve formulation of a general export/foreign exchange policy to replace current policies based primarily on import substitution.

Development of the Least Developed Regions

4.44 The existence of neglected areas in terms of social and economic infrastructure is incompatible with Government's policy of promoting balanced regional development. Feasibility studies will be undertaken to determine the characteristics of neglected areas such as the Zambezi Valley and the south-eastern part of the country. In the light of the recommendations from such studies, measures will be taken during the plan period aimed at improving living standards of people and development of these areas.

DEVELOPMENT CHOICES

4.45 The objectives, development strategy and priorities outlined in this chapter are the result of purposeful and deliberate choices by Government. They satisfy the political imperative for a socialist transformation and egalitarianism but fully recognise that to achieve this it is essential for the economy to be sound, strong and rapidly growing. There is also the recognition that to be meaningful the development effort must aim at meeting the real needs of the people and must be based on mobilised and self-reliant efforts of Zimbabweans — the means and end of development.

CHAPTER FIVE

MACRO-ECONOMIC GROWTH

5.1 The welfare of the people of Zimbabwe will depend largely on the attainment of sustained rapid economic growth and development and an equitable distribution of income and wealth. Given a rapidly growing population, distribution without economic growth and development leads to decline and deterioration in living standards and hence, to a fall in the welfare of the people. Conversely, growth with inequitable distribution of income and wealth, while benefiting a few, diminishes the welfare of society as a whole and invariably leads to socio-political instability. For these and other reasons, Government has adopted growth with equity and transformation as its development strategy. It is a strategy in which all else in subservient to the maximisation of the welfare of the people as a whole. This chapter presents the quantitative aspects of the major macro-economic elements of the objectives and requirements of the plan.

5.2 The choice of a target rate of real economic growth of 8 per cent is based on three major considerations. First is the need to achieve a significant and sustained real improvement in the living standards of Zimbabweans and to build a strong base for further economic growth, development and transformation. Second is the recognition of the economy's capacity to generate growth based on a careful analysis of its past performance, current and expected potential and constraints, and certain realistic policy, management and other assumptions. Third is the recognition of the commitment and determination of the people and Government of Zimbabwe to the objectives of the plan and all its implications. In this regard it is essential to underline that 8 per cent is a planned and not merely a projected growth rate. Its attainment demands the determined and concerted application of appropriate instruments of economic control and regulation and full mobilisation of human, financial and other relevant rescources.

5.3 The broad policy assumptions and implications of the planned rate of growth can be summarised as follows:

(i) the share of material production in GDP will increase relative to that of non-material with construction and manufacturing increasing their relative shares substantially;

(ii) total formal employment will grow at just over 3 per cent annually, with the largest absolute increases emanating from manufacturing and construction;

(iii) the large increase in manpower skills required to achieve plan objectives will come from more efficient labour utilisation, additional training and, in the short term, selective expatriate recruitment;

(iv) the total investment programme (at current prices) over the plan period, will be \$6 096 million, of which about 59 per cent will be in the public sector. The share of total investment in material production over the plan period will be 73 per cent, a four percentage point increase over 1981/82. The share of gross capital formation in GDP at market prices will increase from 24 per cent in 1981/82 to 26 per cent in 1984/85 while that of gross fixed capital formation (exclusive of changes in stocks) will increase from just over 19 per cent in 1981/82 to 23 per cent in 1984/85;

(v) the share of gross domestic savings in GDP at current prices will increase from 16 per cent in 1981/82 to just over 20 per cent in 1984/85;

(vi) the real increase of aggregate consumption will be just over 6 per cent while the increase in public consumption will not exceed 7 per cent a year. Per capita private consuption in real terms is planned to increase at an annual rate of 2,5 per cent;

(vii) imports and exports are expected to increase significantly and to constitute, on average, 26 and 23 per cent respectively of GDP, implying a large net inflow of foreign capital, of which ZIMCORD funds will constitute, on average, just over 46 per cent; and

(viii) the rate of inflation is expected to be 15 per cent per year over the plan period.

GROWTH IN NATIONAL INCOME AND ITS COMPONENTS*

5.4 Table 5.1 provides a profile of planned expenditures (at current prices) on gross national expenditure and its components. The targets are based on the attainment of the target rate of growth of GDP.

* *The quantitative analysis in this and succeeding chapters is based on an aggregate, simple, and in some cases very crude analysis of structural relationships suitably adjusted and modified to reflect anticipated policy changes. In a number of cases detailed sectoral analyses have been used to supplement the aggregate analysis. The analysis is not based on macro or sectoral econometric or any other consistent quantitative models which would have been preferred and which would have assisted in checking for overall consistency of assumptions. However, the analysis has passed simple tests of consistency.*

Table 5.1
EXPENDITURE ON THE GROSS NATIONAL PRODUCT

	Millions of dollars, current prices.						Percentage share GDP = 100,0					
	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total
Private Consumption	2 979	3 300	4 018	4 898	5 959	14 875	65,8	65,2	63,9	62,7	61,4	62,5
Net Government current expenditure 1	854	951	1 168	1 443	1 774	4 385	18,9	18,8	18,6	18,5	18,3	18,4
CONSUMPTION TOTAL	**3 833**	**4 251**	**5 186**	**6 341**	**7 733**	**19 260**	**84,7**	**84,0**	**82,5**	**81,2**	**79,7**	**80,9**
Gross fixed capital formation	706	978	1 446	1 798	2 232	5 476	15,6	19,3	23,0	23,0	23,0	23,0
Increase in stocks	305	237	161	206	253	620	6,7	4,7	2,6	2,6	2,6	2,6
GROSS CAPITAL FORMATION	**1 011**	**1 215**	**1 607**	**2 004**	**2 485**	**6 096**	**22,3**	**24,0**	**25,6**	**25,6**	**25,6**	**25,6**
DOMESTIC EXPENDITURE (at market prices)	**4 844**	**5 466**	**6 793**	**8 345**	**10 218**	**25 356**	**107,0**	**108,0**	**108,1**	**106,8**	**105,3**	**106,5**
Net exports of goods and services	−316	−403	−507	−533	−515	−1 555	−7,0	−8,0	−8,1	−6,8	−5,3	−6,5
GROSS DOMESTIC PRODUCT (at market prices)	**4 528**	**5 063**	**6 286**	**7 812**	**9 703**	**23 801**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**
Less: net investment income paid abroad	−110	−123	154	−192	−237	−583	−2,4	−2,4	−2,4	−2,5	−2,4	−2,4
GROSS NATIONAL PRODUCT (at market prices)	**4 418**	**4 940**	**6 132**	**7 620**	**9 466**	**23 218**	**97,6**	**97,6**	**97,6**	**97,5**	**97,6**	**97,6**
Gross domestic savings	695	812	1 100	1 471	1 970	4 541	15,3	16,0	17,5	18,8	20,3	19,1
Overall balance of payment deficit 2	−426	−526	−661	−725	−752	−2 138	−9,4	−10,4	−10,5	−9,3	−7,7	−9,0
Inflation index	100,0	107,5	123,6	142,2	163,5							

1 Includes net current expenditure by private non-profit-making bodies
2 Net transfers excluded

5.5 GNP will increase from $4 940 million in 1981/82 to $9 466 million at the end of the plan period. In view of the estimated population growth rate of 3,3 per cent per year, this means that per capita GNP at 1981 prices will grow at an average annual rate of 4,0 per cent, an increase from $594 in 1981/82 to about $680 in 1984/85.

5.6 Total consumption will increase from $4 251 million in 1981/82 to $7 733 million while gross capital formation will increase from $1 215 million in 1981/82 to $2 485 million at the end of the plan period. Gross domestic savings will increase from $812 million in 1981/82 to $1 970 million in 1984/85. Net imports of goods and services will rise from $403 million in 1981/82 to a level of more than $500 million per year. The overall balance of payments is expected to be negative for each year of the plan with deficits increasing from $661 million in 1982/83 to $752 million in 1984/85.

PRODUCTION

5.7 Output supply by sectors is shown in Table 5.2. The distribution reflects the impact of a number of factors including existing productive capacities, differential priorities accorded to sectors to achieve balanced growth and the pattern of aggregate demand. There is a deliberate shift in production in favour of material production although priority sectors such as education and health within non-material production are expected to grow at the same rate as the overall rate of growth of GDP.

5.8 The **material production** sector is expected to grow at a real average rate of 8,4 per cent per year. Within the sector, construction, manufacturing and transportation will grow at above the overall rate

Table 5.2

GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTOR

	Millions of dollars, 1981 prices						Average annual % change	Percentage share GDP factor cost = 100,0					
		Base year	Plan Period						Base year	Plan Period			
	1981	81/2	82/3	83/4	84/5	Total		1981	81/2	82/3	83/4	84/5	Total
Agriculture, livestock and forestry	738	738	775	814	854	2 443	5	17,8	17,2	16,7	16,2	15,8	16,2
Mining and quarrying	217	224	224	224	224	672	0	5,2	5,2	4,8	4,4	4,1	4,5
Manufacturing	1 098	1 160	1 288	1 429	1 586	4 303	11	26,5	26,9	27,7	28,5	29,3	28,5
Electricity and water	88	91	97	104	111	312	7	2,1	2,1	2,1	2,1	2,0	2,1
Construction	126	139	160	184	211	555	15	3,0	3,3	3,4	3,7	3,9	3,7
Distribution, restaurants and hotels	620	651	710	773	840	2 323	9	15,0	15,1	15,3	15,4	15,5	15,4
Transport & communications	262	273	298	324	354	976	9	6,3	6,3	6,4	6,4	6,5	6,5
MATERIAL PRODUCTION TOTAL	**3 149**	**3 276**	**3 552**	**3 852**	**4 180**	**11 584**	**8,4**	**75,9**	**76,1**	**76,4**	**76,7**	**77,1**	**76,8**
Education	253	263	284	307	331	922	8	6,1	6,1	6,1	6,1	6,1	6,1
Health	63	66	71	77	83	231	8	1,5	1,5	1,5	1,5	1,5	1,5
Public administration	352	364	388	413	440	1 241	6,5	8,5	8,5	8,3	8,2	8,1	8,2
Private domestic services	74	74	74	74	74	222	0	1,8	1,7	1,6	1,5	1,4	1,5
Finance and insurance	189	195	207	219	232	658	6	4,6	4,5	4,5	4,4	4,3	4,4
Other activities	67	69	73	78	82	233	6	1,6	1,6	1,6	1,6	1,5	1,5
NON-MATERIAL PRODUCTION TOTAL	**998**	**1 031**	**1 097**	**1 168**	**1 242**	**3 507**	**6,4**	**24,1**	**23,9**	**23,6**	**23,3**	**22,9**	**23,2**
GDP at factor cost	**4 147**	**4 307**	**4 649**	**5 020**	**5 422**	**15 091**	**8**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**
GDP at market prices	**4 528**	**4 710**	**5 085**	**5 495**	**5 935**	**16 515**	**8**	**109,2**	**109,4**	**109,4**	**109,4**	**109,4**	**109,4**

of GDP, reflecting existing capacity, the high priorities given to them and the pressure of demand. Agriculture will grow at 5 per cent in real terms, reflecting capacity constraints in the sector and the long gestation period of the large amounts of investment (including the resettlement programme).

5.9 Output in the **non-material** sector will grow at a real average annual rate of 6,4 per cent with, as already noted, education and health having the highest priority and growing at 8 per cent per year. Public administration and other subsectors in this sector will grow at or below 6,5 per cent.

EMPLOYMENT AND LABOUR PRODUCTIVITY

5.10 Table 5.3 provides information on levels and changes in formal employment by sectors. Formal employment will increase at an annual rate of just over 3 per cent, which means an additional 108 200 jobs over the plan period (or an average of 36 067 new jobs per year) will be generated. A large number of families will be resettled each year, while establishment and development of small-scale industries in rural areas and removal of discrimination against the informal sector will provide substantial levels of additional gainful employment.

5.11 As noted in Chapter Two, the economy has recently displayed increasing capital intensity. Agricultural employment has experienced a strong declining trend even though output has been increasing. This trend will be arrested, while the historical pattern of low levels of employment in sectors such as construction and distribution will be reversed.

5.12 Employment in the **material production** sectors is expected to rise by nearly 3,3 per cent annually, with the largest absolute increase being in manufacturing (43 100) and construction (18 000). Transport and communications and distribution are expected to create 8 700 and 11 000 jobs respectively. The additional cumulative employment in the material production sector over the plan period will be about 77 000 jobs.

5.13 The highest gains in employment in the non-material sectors are expected to be in education and health, in which 3 100 and 1 300 jobs per year respectively are expected. Annual growth of employment in public administration will be about 5,5 per cent. The declining trend in private domestic employment will continue, with numbers falling from 104 000 in 1981 to 99 400 by the end of the plan period. The additional cumulative employment in the non-material sector over the plan period will be about 32 600 jobs.

Table 5.3
EMPLOYMENT
(Thousands of people)

	Base year	Plan Period			Additional employment				Average annual % change	% share, total employment = 100		
	1981	81/2	82/3	83/4	84/5	82/3	83/4	84/5	Total	81	81/2	84/5
Agriculture, livestock and forestry	297,0	297,0	294,0	291,1	288,2	−2,97	−2,9	−2,9	−8,8	1,00	28,5	28,0	24,7
Mining and quarrying	69,2	70,0	71,1	72,1	73,2	1,1	1,0	1,1	3,2	1,50	6,6	6,6	6,3
Manufacturing	174,0	179,0	192,3	206,7	222,1	13,3	14,4	15,4	43,1	7,46	16,7	16,9	19,0
Electricity & water	6,5	6,5	6,9	7,4	7,9	0,4	0,5	0,5	1,4	6,72	0,6	0,6	0,7
Construction	47,8	51,5	56,9	62,9	69,5	5,4	6,0	6,6	18,0	10,50	4,6	4,8	6,0
Distribution, restaurants and hotels	75,3	77,0	80,5	84,2	88,0	3,5	3,7	3,8	11,0	4,55	7,2	7,3	7,5
Transport & communications	49,2	51,0	53,7	56,6	59,7	2,7	2,9	3,1	8,7	5,39	4,7	4,8	5,1
MATERIAL PRODUCTION TOTAL	**719,0**	**732,0**	**755,4**	**781,0**	**808,6**	**23,4**	**25,6**	**27,6**	**76,6**	**3,28**	**69,0**	**69,0**	**69,3**
Education	58,8	60,0	63,0	66,1	69,4	3,0	3,1	3,3	9,4	4,97	5,6	5,7	5,9
Health	16,2	16,5	17,7	19,0	20,4	1,2	1,3	1,4	3,9	7,33	1,6	1,6	1,7
Public administration	83,2	85,5	90,2	95,2	100,4	4,7	5,0	5,2	14,9	5,50	8,0	8,1	8,6
Private domestic services	104,4	103,0	101,8	100,6	99,4	−1,2	−1,2	−1,2	−3,6	−1,18	10,0	9,7	8,5
Finance and insurance	13,8	14,8	15,9	17,1	18,4	1,1	1,2	1,3	3,6	7,53	1,3	1,4	1,6
Other activities	47,2	48,2	49,3	50,4	51,6	1,1	1,1	1,2	3,4	2,30	4,5	4,5	4,4
NON-MATERIAL PRODUCTION TOTAL	**323,6**	**328,0**	**337,9**	**348,4**	**359,6**	**9,9**	**10,5**	**11,2**	**31,6**	**2,89**	**31,0**	**31,0**	**30,7**
excluding private domestic services	(219,2)	(225,0)	(236,1)	(247,8)	(260,2)	(11,1)	(11,7)	(12,4)	(35,2)	4,96	21,0	21,2	22,3
TOTAL ECONOMY	**1 042,6**	**1 060,0**	**1 093,3**	**1 129,4**	**1 168,2**	**33,3**	**36,1**	**38,8**	**108,2**	**3,16**	**100**	**100**	**100**

5.14 Material production share of total employment will increase marginally from 69 per cent in 1981 to only 69,3 per cent in 1984/85 (Table 5.3). Manufacturing and construction will increase their share of employment in total employment while that of agriculture will decline from 28,5 per cent in 1981 to less than 25 per cent in 1984/85. A corresponding decline will take place in the share of non-material sector employment.

5.15 Table 5.4 provides information on changes in labour productivity. The annual increase in labour productivity for the economy as a whole over the plan period is expected to be nearly 5 per cent. Labour productivity in the material sectors will increase by between 0,3 and 6 per cent per year with an increase in agriculture of 6 per cent per year. In mining, manufacturing and transport and communications increases in productivity will exceed 3 per cent per year. In construction and distribtuion the increase will be between 2 and 2,5 per cent. Electricity and water are not expected to experience significant improvements in labour productivity. In the non-material production sector there will be an increase at an annual average rate of 3,5 per cent, with much of the improvement emanating from education.

THE STRUCTURE AND LEVELS OF AGGREGATE DEMAND

5.16 Planned aggregate domestic expenditure and its components are shown in Table 5.5. Aggregate expenditure exceeds domestic production, thus creating a gap filled by net imports of goods and services. Domestic expenditure will increase at an annual average real rate of 7 per cent over the plan period, with the largest increase (8 per cent) taking place in the first year of the plan.

5.17 Aggregate consumption will rise at a real rate less than that of the economy. It will increase at 6,1 per cent annually, thus increasing the level of consumption at the end of the plan period by nearly 20 per cent over the 1981/82 level.

5.18 As already noted, private consumption per capita will grow at 2,5 per cent per year in real terms, or approximately 8 per cent during the plan period. This implies an increase in total private consumption of nearly 6 per cent annually or nearly 19 per cent during the plan period. The rate of increase of

Table 5.4 **LABOUR PRODUCTIVITY**

(Annual average percentage change, plan period 1982/83-1984/85)

	GDP at factor cost	Employment	Labour productivity (value added per employed)
Agriculture, livestock and forestry	5,0	− 1,0	6
Mining & quarrying	0,0	1,5	− 1,5
Manufacturing	11,0	7,5	3,5
Electricity & water	7,0	6,7	0,3
Construction	15,0	10,5	4,5
Distribution, restaurants and hotels	9,0	4,6	4,4
Transport and communications	9,0	5,4	3,6
MATERIAL PRODUCTION TOTAL	**8,4**	**3,9**	**4,5**
Education	8,0	5,0	3,0
Health	8,0	7,3	0,7
Public administration	6,5	5,5	1,0
Private domestic services	0,0	− 1,2	1,2
Finance and insurance	6,0	7,5	− 1,5
Other activities	6,0	2,3	3,7
NON-MATERIAL PRODUCTION	**6,4**	**2,9**	**3,5**
(excluding private domestic services)	(8,0)	(5,0)	(3,0)
TOTAL ECONOMY	**8,0**	**3,2**	**4,8**

Table 5.5

EXPENDITURE ON THE GROSS NATIONAL PRODUCT

(Millions of dollars, at 1981 prices)

	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total	Annual % change 82/3	83/4	84/5	Average annual percentage change	Index 1984/5 (81/2=100)
Private consumption	2 979	3 070	3 250	3 445	3 645	10 340	5,9	5,9	5,9	5,9	118,7
Net Government current expenditure 1	854	885	945	1 015	1 085	3 045	7,0	7,0	7,0	7,0	122,6
CONSUMPTION TOTAL	**3 833**	**3 955**	**4 195**	**4 460**	**4 730**	**13 385**	**6,1**	**6,1**	**6,1**	**6,1**	**119,6**
Gross fixed capital formation	706	910	1 170	1 265	1 365	3 800	28,6	8,0	8,0	14,5	150,0
Increase in stocks	305	220	130	145	155	430	—	—	—	—	—
GROSS CAPITAL FORMATION	**1 011**	**1 130**	**1 300**	**1 410**	**1 520**	**4 230**	**15,0**	**8,5**	**7,8**	**10,4**	**134,5**
DOMESTIC EXPENDITURE (at market prices)	**4 844**	**5 085**	**5 494**	**5 870**	**6 250**	**17 615**	**8,1**	**6,8**	**6,5**	**7,1**	**122,9**
Net exports of goods and services	− 316	− 375	− 410	− 375	− 315	− 1 100	—	—	—	—	—
GROSS DOMESTIC PRODUCT (at market prices)	**4 528**	**4 710**	**5 085**	**5 495**	**16 515**	**8,0**	**8,0**	**8,0**	**8,0**	**8,0**	**126,0**
Less: net investment income paid abroad	− 110	− 115	− 125	− 135	− 145	− 405	—	—	—	—	—
GROSS NATIONAL PRODUCT (at market prices)	**4 418**	**4 595**	**4 960**	**5 360**	**5 790**	**16 110**	**8,0**	**8,0**	**8,0**	**8,0**	**126,6**
Gross domestic savings	695	755	890	1 035	1 205	3 130	17,9	16,3	16,4	16,9	159,6
Balance of payments deficit 2	− 426	− 490	− 535	− 510	− 460	− 1 505	—	—	—	—	—

1 Includes net current expenditure by private non-profit-making bodies

2 Net transfers excluded

net Government current expenditures (public consumption) on goods and services will be substantially reduced from that experienced in the recent past, when it considerably exceeded the nominal rate of increase of GDP. It will not exceed 7 per cent per year in real terms, or one per cent below that of GDP.

5.19 The share of total consumption relative to gross capital formation will decline from 84 per cent in 1981/82 to less than 80 per cent at the end of the plan period (Table 5.5). The share of gross capital formation in GDP will rise from 24 per cent in 1981/82 to 26 per cent in each year of the plan period.

5.20 The share of gross domestic savings in GDP will increase significantly but will be lower than the share of gross capital formation. It will increase from 16 per cent in 1981/82 to nearly 18 per cent in 1982/83, nearly 19 per cent in 1983/84 and just over 20 per cent in the final year of the plan.

5.21 Gross capital formation (at current prices) will increase by 32 per cent in 1982/83, 25 per cent in 1983/84, and 24 per cent in 1984/85 (Table 5.1). In absolute terms investment outlays in current dollars are expected to be $1 607 million in 1982/83, $2 004 million in 1983/84, and $2 485 million in 1984/85. The cumulative total investment programme over the plan period is $6 096 million. The public sector investment programme will constitute $3 618 million, or 59 per cent of the total investment programme. The private sector is expected to invest $2 478 million (Table 5.6) or 41 per cent of the total investment programme.

Table 5.6 GROSS AND GROSS FIXED CAPITAL FORMATION BY SECTOR
(in millions of dollars, at current prices)

	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total	Percentage share (Total = 100)
Gross fixed capital formation							
Public sector			1 015	1 162	1 441	3 618	66
Private sector			431	636	791	1 858	34
Total	**706**	**978**	**1 446**	**1 798**	**2 232**	**5 476**	**100**
Increase in stocks							
Public sector			—	—	—	—	—
Private sector			161	206	253	620	100
Total	**305**	**237**	**161**	**206**	**253**	**620**	**100**
Gross capital formation							
Public sector			1 015	1 162	1 441	3 618	59
Private sector			592	842	1 044	2 478	41
Total	**1 011**	**1 215**	**1 607**	**2 004**	**2 485**	**6 096**	**100**

5.22 In view of the current state of the economy's capital stock it is intended that repair, maintenance, modernisation and refurbishing will absorb roughly two-thirds of total investment while new capacity will absorb the remainder. Both types of investment are needed to improve labour productivity and realise greater efficiency in production.

5.23 A substantial inflow of foreign resources is required in the first year of the plan (Table 5.1). Net exports of goods and services, which were 7 per cent of GDP in 1981, will increase to 8 per cent in 1982/83 and decline in subsequent years to nearly 7 and 5 per cent respectively. In absolute terms this means an increase in the deficit on net goods and services from $403 million in 1981/82 to $507 million in 1982/83, $533 million in 983/84 and $515 million in 1984/85. For the whole plan period the cumulative deficit will total $1 555 million. The cumulative deficit on balance of payments (exclusive of net transfers) over the plan period is expected to be $2 138 million. The deficit will peak in 1984/85. As a proportion of GDP the deficit will decline from about 11 per cent in 1982/83 to less than 8 per cent in 1984/85.

GROSS FIXED CAPITAL FORMATION BY INDUSTRIAL SECTORS

5.24 As already noted the allocation of investment resources is a result of a number of considerations including priorities assigned to sectors for refurbishing capital stock, the need to build new capacity to sustain future production, and achieve balanced economic growth and development.

5.25 The pattern and level of investment in agriculture and rural development, electricity and water, transport and communications over the period is heavily influenced by public investment. Transport plays an important role in the economy and has lately tended to constrain growth of the economy. Power could become a constraint unless there is adequate increase in generation capacity over the next six years. Agriculture, particularly its peasant subsector, is a sector in which equity considerations can, given sufficient public sector investment support, be matched with significant gains in productivity and gainful employment.

5.26 Tables 5.7 and 5.8 provide information on the distribution of gross fixed capital formation by sectors in both constant and current prices respectively. Gross fixed capital formation (at current prices) for all industrial sectors is expected to total $5 476 million, of which $4 001 million (or just over 73 per cent) will be in material production. Transport and communications, manufacturing, construction and distribution, restaurants and hotels within the material production sector will increase their shares in total gross fixed captial formation over the plan period, while agriculture and electricity and water will remain constant and mining will decline substantially. The shares of all non-material production sectors except education and health are expected to fall.

5.27 Gross fixed capital formation in agriculture (and rural development) will be $712 million or 13 per cent of the total for all sectors. This relatively high level of investment reflects the high priority assigned to this sector, particularly rural development and the resettlement programme.

5.28 Manufacturing, which is largely in the hands of the private sector, is expected to respond to investment opportunities generated, directly and indirectly, by the large volume of public investment and by the high rate of economic growth. Gross fixed capital formation in manufacturing (at current prices) is expected to be $1 241 million over the plan period. This constitutes a substantial increase in comparison to the recent past and will increase the share of the sector from 21 per cent in 1981/82 to an average of nearly 23 per cent over the period.

Table 5.7
GROSS FIXED CAPITAL FORMATION BY INDUSTRIAL SECTOR

(In millions of dollars, at constant 1981 prices)

	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total	Average annual percentage change	Index 1984/85 (1981/82 = 100)
Agriculture, livestock and forestry 1	85	119	152	164,5	177,5	494	14,3	149,2
Mining and quarrying	106	105	87	94	101	282	−1,3	96,2
Manufacturing	155	191	265	286,5	309,5	861	17,5	162,0
Electricity & water	57	68	86	93	101	280	14,1	148,5
Construction	11	18	29,5	31,5	34	95	23,6	188,9
Distribution, restaurants and hotels	14	27	69	74,5	80,5	224	43,9	298,1
Transport & communications	56	100	166,5	180	193,5	540	24,6	193,5
MATERIAL PRODUCTION TOTAL	**484**	**628**	**855**	**924**	**997**	**2 776**	**16,7**	**158,8**
Housing 2	113	145	167	181	195	543	11,0	134,5
Education	18	31	45,5	49	53,5	148	68,4	477,4
Health 3	11	14	18,5	20,5	22	61	16,3	157,1
Public administration	49	60	52	56	60	168	0,0	100,0
Finance & insurance	17	18	20,5	22	23,5	66	9,3	130,6
Other services n.e.s. and unallocable	14	14	11,5	12,5	14	38	0,0	100,0
NON-MATERIAL PRODUCTION TOTAL	**222**	**282**	**315**	**341**	**368**	**1 024**	**9,3**	**130,5**
(Excluding housing)	(109)	(137)	(148)	(160)	(173)	(481)	(8,1)	(126,3)
TOTAL GROSS FIXED CAPITAL FORMATION	**706**	**910**	**1 170**	**1 265**	**1 365**	**3 800**	**14,5**	**150,0**

1 Includes rural development, national parks and wildlife
2 Includes general purpose investment by Government and urban development
3 Includes social services and youth sport and recreation

Table 5.8
GROSS FIXED CAPITAL FORMATION BY INDUSTRIAL SECTOR
(In millions of dollars, at current prices)

	1981	Base year 81/2	Plan Period 82/3	83/4	84/5	Total	Percentage share (Total economy = 100) 1981	81/2	Plan Period
Agriculture, livestock and forestry 1	85	128	188	234	290	712	12,0	13,0	13,0
Mining & quarrying	106	113	108	134	165	407	15,0	11,5	7,4
Manufacturing	155	205	328	407	506	1 241	22,0	21,0	22,7
Electricity & water	57	73	106	132	165	403	8,0	7,5	7,4
Construction	11	19	36	45	56	137	1,5	2,0	2,5
Distribution, restaurants and hotels	14	29	85	106	132	323	2,0	3,0	5,9
Transport & communications	56	108	206	256	316	778	8,0	11,0	14,2
MATERIAL PRODUCTION TOTAL	**484**	**675**	**1 057**	**1 314**	**1 630**	**4 001**	**68,5**	**69,0**	**73,1**
Housing 2	113	156	207	257	319	783	16,0	16,0	14,3
Education	18	33	56	70	88	214	2,5	3,4	3,9
Health 3	11	15	23	29	36	88	1,5	1,5	1,6
Public administration	49	65	64	79	98	241	7,0	6,5	4,4
Finance & insurance	17	19	25	31	94	2,5	2,0	1,7	
Other services n.e.s. and unallocable	14	15	14	18	23	55	2,0	1,6	1,0
NON-MATERIAL PRODUCTION TOTAL	**222**	**303**	**389**	**484**	**602**	**1 475**	**31,5**	**30,0**	**26,9**
Excluding housing	(109)	(147)	(182)	(227)	(283)	(692)	(15,5)	(15,0)	(12,6)
TOTAL GROSS FIXED CAPITAL FORMATION	**706**	**978**	**1 446**	**1 798**	**2 232**	**5 476**	**100**	**100**	**100**

1 Includes rural development, national parks and wildlife
2 Includes general purpose investment by Government and urban development
3 Includes social services and youth, sport and recreation

5.29 Mining investment will be lower than experienced in the recent past, largely as a result of the current low world prices, increases in production costs and the lagged impact of the transport constraint. Gross fixed capital formation (at current prices) in the sector over the period will total $407 million and its share will decline from nearly 12 per cent in 1981/82 to an average of just over 7 per cent. Investment in mining is expected to gather speed towards the end of the plan period when improvements in world commodity markets are expected.

5.30 Much of the mechanical capacity in construction is worn out or run down and unlikely to cope with the large volume of investment planned in the rest of the economy. Unless it is increased, it could become a major constraint in the implementation of crucial elements of the plan. Investment in construction (at current prices) will rise from $19 million in 1981/82 to $56 million in 1984/85 and its share of GFCF will increase from 2 per cent in 1981/82 to an average of nearly 3 per cent over the period.

5.31 As a result of the overall growth of the economy and the expected increase in tourism, there will be need to increase the level of investment in distribution, restaurants and hotels. The level of GFCF (in current dollars) is expected to increase from $29 million in 1981/82 to $132 million in 1984/85, with a cumulative total of$323 million. The sector's share in GFCF will rise substantially from 3 per cent in 1981/82 to an average of nearly 6 per cent over the period.

5.32 Housing investment, which includes rural and urban development and general purpose Goverment investment, has the largest share of GFCF among the non-material sectors. Total GFCF (at current prices) will amount to $783 million, or just over 14 per cent of overall GFCF.

5.33 In order to reflect the high priority given to increased availability of, and access to, education and health facilities, the planned increase in investment in education and health is expected to be relatively faster than that of other subsectors in the non-material sector. Total GFCF (at current prices) in education will rise from $33 million in 1981/82 to $88 million in the final year of the plan, with a cumulative total over the period of $214 million. The sector's share in GFCF will change marginally from just over 3 per cent in 1981/82 to an average of about 4 per cent thus reflecting a desired restructuring of expenditure patterns.

5.34 In health (including social services and youth, sport and recreation) total GFCF at current prices will be $88 million. The rate of investment will go from $15 million in 1981/82 to $36 million in 1984/85 while the share of health in GFCF will increase only marginally.

5.35 Total GFCF (at current prices) in public administration over the period will amount to $241 million, which is an absolute increase from $65 million in 1981/82 to $98 million in 1984/85 but a significant decline in the share of GFCF from nearly 7 per cent in 1981/82 to an average of just over 4 per cent.

5.36 Total GFCF (at current prices) in finance and insurance will increase from $19 million in 1981/82 to $38 million in the final year. The cumulative total GFCF is $94 million, or nearly 2 per cent of GFCF in all sectors.

INVESTMENT POLICIES

5.37 As already noted, $6 096 million will need to be invested over the plan period. To achieve such levels of investment Government will employ direct and indirect instruments of economic control and regulation. It will invest directly into designated areas as detailed in the Public Sector Investment Programme (see Volume II of the Plan) and will use administrative, fiscal, monetary and other instruments to stimulate the private sector to undertake the expected levels and distribution of investment.

5.38 Government fully recognises that to attract domestic and foreign investment, it is essential to create and maintain a favourable investment climate. At the same time Government maintains that the existence of such a climate need not and should not compromise the overriding need to ensure maximum net benefits of such investment to the Zimbabwean economy. In addition it requires that the creation and maintenance of such a climate can and should be consistent with the aspiration of creating an egalitarian socialist and democratic society. In line with these acknowledgements and requirements Government will take necessary steps and measures to ensure that investors play the full role envisaged for them in the plan.

5.39 Government has already published its economic policy statement, *Growth with Equity,* setting forth the broad conditions under which private domestic and foreign investment is welcomed and encouraged. This was a necessary first step in the evolution of more detailed policy formulations, some of which are presented in the plan. Government has formulated investment guidelines to be published very early during the plan period. These will elaborate and extend earlier formulations. Together with investment incentives and other measures to create and maintain a favourable investment climate, the package is expected to stimulate investment to levels required for the plan.

5.40 Government particularly recognises the role being played and which could be played by the private sector, especially in material production, and the need to provide the requisite incentives and other measures for the sector. However, Government expects the private sector to work within the framework of Government objectives and priorities in promoting economic development for the benefit of all Zimbabweans.

5.41 In designing investment and other incentives for the private sector Government will seek to promote:
- (a) decentralisation of industries and the development of growth points and similar rural centres;
- (b) balanced growth of the economy;
- (c) greater labour intensity and use of appropriate technology and local raw materials in the economy;
- (d) investment in existing and potential export industries; and
- (e) increase the range and degree of processing or primary exports and beneficiation of primary products.

5.42 Provided there is a suitable framework within which it operates foreign investment can bring significant levels of net benefits to the development of the economy of Zimbabwe. In view of this, Government welcomes and encourages foreign investment, provided it:
- (a) brings in new and appropriate technology;
- (b) makes use of local raw materials;
- (c) generates exports within a reasonable time;
- (d) brings new capital into the economy;
- (e) is prepared to participate with domestic private enterprise and/or form joint ventures with Government; and
- (f) transmits managerial, technical and other skills to Zimbabweans.

5.43 Because of the already high degree foreign investment concentration, especially in mining, manufacturing and commerce, Government wishes to see higher degrees of domestic participation in both new and established enterprises. Government intends to increase the level of control and participation by the State through establishment of new public enterprises, share participation in some existing ones, and joint ventures in key and strategic areas of the economy. The establishment of the Zimbabwe Development Bank, the Zimbabwe Development Corporation, the Tourist Development Corporation and the Mining Development Corporation will provide the institutional apparatus for mobilising domestic and external financial resources and the machinery for participation by the State in strategic and/or high priority areas.

5.44 In view of the likelihood that the capacity of the construction industry may become a serious constraint in the implementation of the planned investment programme, government will intervene to prevent bottlenecks. It will establish public sector enterprises and joint venture organisations geared to operate especially in the rural areas, on low-cost housing, roads and small to medium-sized public works projects. Such oragnisations could be controlled by local government or municipal bodies. It will also seek suitable mechanisms for wider and effective involvement in the sector.

CHAPTER SIX

FINANCING THE PLAN

6.1 A large investment programme is required to attain the objectives and targets of the plan. As already noted (Chapter Five) the size of the programme will be $6 094 million, of which 59 per cent will be in the public sector (see Volume II of the plan). Gross capital formation (GFC) will constitute, on average, about 26 per cent of GDP over the plan period. Such a big proportion has been achieved and sustained in the past and was largely financed from domestic resources. But the economic circumstances were very different. The cumulative impact of the war on the economy, the deepening incidence of sanctions, and structural changes, particularly those pertaining to the savings behaviour and public expenditures, all have so fundamentally changed the economic conditions as to make the planned investment programme appear unusually ambitious.

6.2 The financing of such a huge investment programme, given the current domestic savings behaviour, requires large amounts of foreign capital inflows, particularly to finance the public sector investment programme, in which ZIMCORD funds play a crucial role.

6.3 The major elements of the financing of the plan can be summarized as follows:

(i) the share of domestic savings in GDP will increase from 16 per cent in 1981/82 to over 20 per cent in 1984/85, while that of GCF will increase from 24 per cent in 1981/82 to nearly 26 per cent in 1984/85;

(ii) the contribution of the private sector domestic savings will predominate but the share will decrease progressively from a high of over 82 per cent in 1981/82 to 75 per cent in 1984/85. The share of corporate savings in private sector savings will decline from a high of 91 per cent in 1981/82 to 78 per cent in 1984/85;

(iii) public sector domestic savings' share will rise from about 18 per cent in 1981/82 to 25 per cent in 1984/85. The share of public corporations in total public sector savings will decline from 76 per cent in 1981/82 to 73 per cent in 1984/85 while those of central and local Governments will increase;

(iv) foreign capital inflows over the plan period will total $2 279 million (or 37 per cent of GCF) with ZIMCORD funds constituting $1 057 million or 46 percent (or 17 percent of GCF);

(v) the absolute size of the deficit on current account of the balance of payments will be large, increasing from $549 million in 1981/82 to $800 million in 1984/85. It will, however, decline as a proportion of GDP from 11 percent in 1981/82 to about 8 percent at the end of the plan period; and

(vi) the size of the total and external debt will increase during the plan period but will decline substantially relative to GDP. From 10 percent of total export earnings in 1981/82 the debt service burden wil increase to 12 percent in 1982/83 and then drop to 10 percent for the rest of the plan period.

OVERALL FINANCING OF THE INVESTMENT PROGRAMME

6.4 Data on the time profile and cumulative sums of GCF and sources of finance are provided in Table 6.1 below. Nearly 63 percent of GCF (or $3 817 million) will be financed from domestic sources and the rest ($2 279 million) from external sources. The contribution of domestic sources of finance will increase rapidly from less than 55 percent in 1981/82 to almost 68 per cent in 1984/85. This rapid structural change is almost entirely due to large absolute increase of domestic sources expected over the period (see Table 6.2).

Table 6.1 **GROSS CAPITAL FORMATION AND ITS FINANCING**
(in millions of dollars)

	1981	Base year 1981/82	Plan Period 1982/83	1983/84	1984/85	Total
Gross capital formation	**1 011**	**1 215**	**1 607**	**2 004**	**2 485**	**6 096**
Financed by:						
Domestic sources:						
Domestic savings	601	666	905	1 227	1 685	3 817
External sources:						
Net balance on current account	410	549	702	777	800	2 279
Total	**1 011**	**1 215**	**1 607**	**2 004**	**2 485**	**6 096**

Domestic Sources of Finance

6.5 Table 6.2 provides data on domestic sources of finance. The table is based on the following assumptions:

(i) a substantial reduction in the absolute and relative size of the budget deficit; and

(ii) a structural shift in private sector savings leading to the share of household savings increasing substantially over the plan period.

Table 6.2
DOMESTIC SOURCES OF FINANCE
(in millions of dollars)

	1981	Base year 1981/82	Plan Period 1982/83	1983/84	1984/85	Total
Domestic savings	601	666	905	1 227	1 685	3 817
Public sector	91	117	181	276	421	878
Central and local governments	—	28	31	88	76	295
Public corporaitons	—	89	150	188	245	583
Private sector	510	549	724	951	1 264	2 939
Households	—	48	72	190	379	641
Corporate	—	501	652	761	885	2 298

Note: — indicates data not available.

6.6 The private sector will supply the bulk of domestic savings with a cumulative total over the plan period of $2 939 million or 77 per cent of domestic savings. As already noted this share is, however, a decline from over 82 per cent in 1981/82 to 75 per cent in 1984/85. The cumulative sum of corporate savings will amount to $2 298 million or 78 per cent of private sector savings while household savings will be $641 million or 22 per cent. The contribution of household savings in private savings will increase from 9 per cent in 1981/82 to 30 per cent in the last year of the plan, with a corresponding decrease in the share of corporate savings.

6.7 The cumulative level of public sector savings over the plan period will be $878 million, or 23 per cent of domestic savings. Of this, public corporations will contribute $583 million, or 66 per cent, and central and local governments the remainder. The contribution of the central and local governments will increase from 24 to 27 per cent of public sector savings and the contribution of public corporations will decrease from 76 to 58 per cent between 1981/82 and 1984/85.

6.8 Central Government savings (surplus of revenues over recurrent expenditures) over the plan period will be $425 million (see Table 6.5), reflecting a dramatic planned change in the savings behaviour of the central Government. From a deficit on recurrent expenditures of $128,4 million in 1981/82, central Government will save $301 million in the last year of the plan.

External Sources of Finance

6.9 Consolidated data for the balance on current account are provided in Table 6.3. As the table shows, imports substantially exceed export earnings, thus giving rise to large deficits on the current account of the balance of payments. The increase in the level of imports is mainly the result of the large planned investment programme already discussed and the need to sustain the target growth rate.

6.10 Net imports of goods and services will rise from $403 million in 1981/82 to $515 million in 1984/85. The cumulative total over the plan period will be $1 555 million, or 68 per cent of the cumulative net balance of current account. The cumulative total of net income paid abroad will be $583 million or 26 per cent of the cumulative net balance on current account, while the net balance on current account will rise from $549 million in 1981/82 to $800 million in 1984/85 to a total of $2 279 million over the plan period. As a proportion of GDP the net balance on current account will, however, decline from 11 per cent in 1981/82 to 8 per cent in 1984/85.

Table 6.3
EXTERNAL SOURCES OF FINANCE
(in millions of dollars)

	1981	Base year 1981/82	Plan Period 1982/83	1983/84	1984/85	Total
Net imports of goods and services	316	403	507	533	515	1 555
Net investment income paid abroad	110	123	154	192	237	583
Net transfer payments	– 16	23	41	52	48	141
Net balance on current account	410	549	702	777	800	2 279

PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)

6.11 The data for the overall financing of the PSIP are provided in Table 6.4 (for a detailed breakdown see Volume II of the plan). The overall size of the PSIP will be $3,62 billion or 59 per cent of GCF. Over the plan period ZIMCORD funds into the PSIP will amount to $1 057 million or 29 per cent of the PSIP*. Central Government budgetary contributions will amount to $1 422 million or over 39 per cent of the PSIP. Parastatal borrowings will amount to $556 million or 15 per cent of the PSIP, and the rest, $585 million (16 per cent), will come from parastatal revenues. The share of ZIMCORD funds in PSIP financing will decrease substantially from 41 per cent in 1981/82 to 26 per cent in 1984/85. The share of the central Government budget contribution will rise from $175 million in 1981/82 to $592 million in 1984/85.

6.12 Of the total committed ZIMCORD funds for the PSIP to be disbursed over the plan period, $826 million, or 78 per cent, will be loans (with a high grant element) and $231 million (22 per cent) are outright grants. Of the total parastatal borrowings ($556 million), $317 million, or 57 per cent, will be from external and $239 million from domestic sources.

Table 6.4
PUBLIC SECTOR INVESTMENT PROGRAMME
(in millions of dollars)

	Base year 1981/82	1982/83	Plan Period 1983/84	1984/5	Total
Central Government budget	175	375	455	592	1 422
ZIMCORD	277	300	380	377	1 057
Loans	192	229	297	300	826
Grants	85	71	83	77	231
Parastatals' revenue	89	150	188	245	583
Parastatals' borrowings	127	190	139	227	556
External loans	59	130	77	110	317
Domestic loans	68	60	62	117	239
Gross capital formation by public sector	668	1 015	1 162	1 441	3 618

** By far the largest proportion of ZIMCORD funds are earmarked for the PSIP. A smaller proportion will however go to reconstruction, technical assistance and the private sector.*

PUBLIC FINANCE

6.13 Table 6.5 provides figures on the central Government budget account. Total expenditures and revenues over the plan period will be $7 792 million and $6 795 million respectively, giving rise to an overall budget deficit of $997 million. Total recurrent expenditures will be $6 370 million, so that the surplus of revenues over recurrent expenditures is $425 million. Capital expenditures will amount to $1 422 million, or 18 per cent ot total expenditure. Tax revenues as a proportion of GDP over the plan period are expected to average 26 per cent, an increase of 2 per cent over 1981/82. The share of total central Government expenditures constituting nearly 27 and 6 per cent of GDP respectively. with recurrent and capital expenditures consituting nearly 27 and 6 per cent of GDP respectively.

6.14 Tax revenues will constitute about 93 per cent or $6 293 million of total Government revenues, with shares of indirect and direct taxes being 41 and 52 per cent respectively. This structure is marginally different from that in 1981/82, when indirect and direct taxes were nearly 40 and 51 per cent respectively.

6.15 Recurrent expenditures will increase at an annual rate of 18 per cent, which is substantially lower than experienced in the recent past. Capital expenditures, on the other hand, are planned to grow at significantly higher rates. As a result, Government will become a saver while the share of the capital budget in the central budget will increase rapidly from about 10 per cent in 1981/82 to over 18 per cent over the plan period.

Table 6.5
CENTRAL GOVERNMENT BUDGET ACCOUNT
(in millions of dollars)

		Base year	Plan Period			
	1980/81	1981/82	1982/83	1983/84	1984/5	Total
Revenue	949,2	1 359,5	1 800,0	2 230,0	2 765,0	6 795,0
Direct taxes	437,5	690,5	932,8	1 155,0	1 435,0	3 522,8
Indirect taxes	339,7	541,7	733,0	910,0	1 127,0	2 770,0
Other revenue	172,0	127,3	134,2	165,0	203,0	382,2
Expenditure	**1 203,1**	**1 661,2**	**2 175,0**	**2 561,0**	**3 056,0**	**7 792,0**
Recurrent expenditures	**1 137,9**	**1 487,9**	**1 800,0**	**2 106,0**	**2 464,0**	**6 370,0**
On goods and services	606,2	792,7	954,0	1 116,0	1 306,0	3 376,0
Transfer payments	531,7	695,2	846,0	990,0	1 158,0	2 994,0
Capital expenditure	**65,2**	**173,3**	**375,0**	**455,0**	**592,0**	**1 422,0**
Deficit (–)/surplus on recurrent expenditure	**– 188,7**	**– 128,4**	**0,0**	**124,0**	**301,0**	**425,0**
Budget account overall deficit (–)/surplus	**– 253,9**	**– 301,7**	**– 375,0**	**– 331,0**	**– 291,0**	**– 997,0**

6.16 The cumulative overall budget deficit for the plan period will be $997 million, or some 4 per cent of GDP. The deficit will increase from about $302 million in 1981/82 to $375 million in 1982/83 and will decline thereafter to $291 million in the last year of the plan period. The cumulative surplus on recurrent expenditures will be $425 million as against deficits of $189 million and $128 million in 1980/81 and 1981/82 respectively.

6.17 Figures for the consolidated central and local Government revenue and expenditure accounts are provided in Table 6.6. A comparison of the latter table with Table 6.5 shows the contribution of local governments to revenues and expenditures. Total revenues over the plan period in the consolidated account are $8 511 million, indicating $1 716 million as the contribution of local governments. The main sources of local governments' revenues (more than 92 per cent) will be non-tax as shown by the difference (of $1 587 million) in other revenues in the consolidated account and the central Government account.

6.18 Total expenditures on the consolidated account over the plan period will amount to $9 834 million, of which $2 042 million will be on local governments' accounts. Of the total expenditures, $178 million will be capital and $1 864 million will be recurrent. The cumulative excess of expenditures over revenues of local governments will be $326 million, which will be financed mainly from domestic borrowing.

Table 6.6
CONSOLIDATION OF CENTRAL AND LOCAL GOVERNMENTS' REVENUES AND EXPENDITURES
(in millions of dollars)

	CY 1980	Base year 1981/82	Plan Period 1982/83	1983/84	1984/85	Total
Revenue	**1 552,3**	**1 740,9**	**2 244,0**	**2 772,0**	**3 495,0**	**8 511,0**
Direct taxes	538,6	690,5	932,8	1 155,0	1 435,0	3 522,8
Indirect taxes	499,6	627,9	789,2	990,0	1 240,0	3 019,2
Other revenue	514,1	422,5	522,0	627,0	820,0	1 969,0
Expenditure	**1 730,2**	**1 941,7**	**2 604,0**	**3 200,0**	**4 030,0**	**9 834,0**
Recurrent expenditure	**1 563,8**	**1 712,9**	**2 154,0**	**2 700,0**	**3 380,0**	**8 234,0**
On goods and services	1 015,8	1 012,9	1 283,0	1 630,0	2 060,0	4 975,0
Transfer payments	548,0	700,0	869,0	1 070,0	1 320,0	3 259,0
Capital expenditure	**166,4**	**228,8**	**450,0**	**500,0**	**650,0**	**1 600,0**
Excess revenues over expenditures	**– 177,9**	**– 200,8**	**– 360,0**	**– 428,0**	**– 535,0**	**– 1 323,0**

6.19 Figures on the central Government financing account are provided in Table 6.7. The total financial requirement over the plan period is $2 396 million, of which $972 million (or 42 per cent) is the overall budget deficit and $1 103 million (or 46 per cent) is loan repayments, 80 per cent of which is domestic. Long-term loans and investment, which in 1981/82 totalled $110,5 million, will amount to $1 461 million over the plan period.

6.20 External funds will constitute a major source of central Government financing, accounting for some $1 067 million (or 45 per cent) of the financial requirements. ZIMCORD funds will total $648 million, or 61 per cent of external financing. Borrowing from the domestic market will total $953 million, or 40 per cent of the total requirements.

PUBLIC DEBT AND DEBT SERVICING

The Size and Structure of the Public Debt

6.21 The figures on the size and structure of the public debt of central and local governments outstanding as of 30th June for each year of the plan are provided in Table 6.8. The total public debt is expected to increase from $2 694 million in 1981 to $3 864 million in 1985. The domestic component is expected to increase from $2 012 million in 1981 to $2 384 million in 1985 while the external component is expected to increase from $682 million to $1 480 million in the same period. External debt will constitute 38 per cent of the total debt in 1985 as against 21 per cent in 1981. Central Government debt will constitute 84 per cent of the total public debt in 1985, compared with nearly 85 per cent in 1981.

Table 6.7
CENTRAL GOVERNMENT FINANCING ACCOUNT
(in millions of dollars)

	1980/81	Base year 1981/82	Plan Period 1982/83	1983/84	1984/85	Total
Budget account deficit	253,0	301,7	375,0	331,0	291,0	997,0
Contributions to sinking funds	12,1	15,5	16,6	17,0	17,0	50,6
Repayments of borrowings						
External	31,4	17,9	40,0	80,0	100,0	220,0
Domestic	123,9	173,3	230,8	340,0	312,0	882,8
Long-term loans and investments	98,4	(a) 110,5	56,3	40,0	50,0	146,3
Short-terms loans	−7,2	5,1	25,6	34,0	40,0	99,6
Total	**512,5**	**624,0**	**744,3**	**842,0**	**810,0**	**2 396,3**
Financed by:						
Extraordinary income	49,3	—	—	10,0	15,0	25,0
Loan recoveries	10,4	10,3	13,0	15,0	15,0	43,0
ZIMCORD grants and loans	8,1	23,8	184,0	233,0	231,0	648,0
Borrowings						
External	40,2	265,6	272,3	87,0	60,0	419,3
Domestic	310,1	269,0	260,0	350,0	343,0	953,0
Treasury bills: net increase or decrease (−)	29,2	110,0	80,0	82,0	85,0	247,0
Cash balances: drawings or additions (−)	65,2	−54,7	−65,0	65,0	61,0	61,0
Total	**512,5**	**624,0**	**744,3**	**842,0**	**810,0**	**2 396,3**

(a) Long-term loans of parastatals fall due for redemption/repayment in 1981/82.

6.22 Total public debt is expected to decline substantially as a percentage of GDP, from 53 per cent in 1981 to 40 per cent in 1985. This is largely due to the dramatic fall of the domestic debt as a proportion of GDP from 40 per cent in 1981 to 25 per cent in 1985. External debt as a proportion of GDP, on the other hand, is expected to increase from 13 per cent in 1981 to over 15 per cent in 1985.

Table 6.8
GROSS PUBLIC DEBT OF CENTRAL GOVERNMENT AND LOCAL AUTHORITIES AS AT 30 JUNE
(in millions of dollars)

	1981	Base year 1982	Plan Period 1983	1984	1985
Gross public debt	**2 477,1**	**2 694,1**	**2 978**	**3 395**	**3 864**
External debt	514,2	682,3	890	1 150	1 480
Domestic debt	1 962,9	2 011,8	2 088	2 245	2 384
Central Government debt	**2 098,6**	**2 250,4**	**2 483**	**2 843**	**3 254**
External borrowings	514,2	682,3	890	1 150	1 480
Domestic borrowings	1 581,6	1 565,3	1 590	1 690	1 770
Other capital liabilities	2,8	2,8	3	3	4
Local authorities (domestic borrowings)	**378,5**	**443,7**	**495**	**552**	**610**
Long-term	357,5	415,7	460	510	560
Short term	21,0	28,0	35	42	50
Gross public debt as proportion of GDP (%)	54,7	53,2	47,4	43,5	39,8
External debt as proportion of GDP (%)	11,4	13,5	14,2	14,7	15,3
Domestic debt as proportion of GDP (%)	43,3	39,9	33,2	28,8	24,5

Debt Servicing

6.23 Table 6.9 provides information on debt servicing and its relation to GDP and total export earnings. The estimates of external debt servicing are based on the estimated structure of external debt and interest rates while domestic debt service projections are based on the assumption that the current term structure of interest rates will not change significantly over the plan period and that short term government Bank borrowings, ZOPCO and AMA borrowings are re-financed.

6.24 Debt servicing will increase from $391 million in 1981/82 to $558 million in 1984/85. External debt servicing will increase from $123 million in 1981/82 to $230 million in 1984/85. Domestic debt service will increase from $274 million in 1981/82 to $328 million in 1984/85.

Table 6.9
DEBT SERVICE
(in millions of dollars)

	Base year	Plan Period			
	1981/82	1982/83	1983/84	1984/85	Total
Total debt service	**397,3**	**474,1**	**511,6**	**557,9**	**1 543,6**
External debt service	123,4	185,3	201,6	229,9	616,8
Domestic debt service	274,0	288,8	310,0	328,0	926,8
Total debt service as per cent of GDP	7,9	7,5	6,5	5,8	6,5
External debt service as per cent of total export earnings	10,0	12,0	10,0	10,0	10,7
Domestic debt service as per cent of GDP	5,5	4,6	4,0	3,4	3,9
Gros domestic product (GDP) at market prices	5 063	6 286	7 812	9 703	23 801

6.25 The burden of total debt service as measured by the percentage of total debt service to GDP is expected to decline from just about 8 per cent in 1981/82 to 5,8 per cent in 1984/85. Domestic debt servicing as a proportion of GDP will decline from about 6 per cent in 1981/82 to just over 3 per cent in 1984/85. External debt service as a proportion of total export earnings is expected to increase from 10 per cent in 1981/82 to 12 per cent in 1982/83 and then to decline to 10 per cent for the rest of the plan period. In general, debt service (external and domestic) is not expected to impose an undue burden on the economy.

INSTITUTION BUILDING

Development Banking

6.26 Government will establish a national development bank, the Zimbabwe Development Bank, early in the plan period. Its main functions will be to mobilize external and domestic financial resources for development projects in all aspects of the economy.

FISCAL AND FINANCIAL REFORMS

Tax Commission and Monetary, Credit and Financial Commission

6.27 The inherited fiscal and financial system has been adequate for the requirements of the old order, but the requirements of the new socio-economic order will impose enormous demands on the existing system with which it may be unable to cope. It is, therefore, necessary to investigate the appropriate fiscal and monetary framework within which to conduct fiscal, monetary and financial policies to meet the demands of the new socio-economic order.

6.28 Government is already in the process of setting up a Tax Commission to investigate, study, and recommend changes in the existing fiscal system.

6.29 It is also already in the process of establishing a Monetary, Credit and Financial Commission to investigate, study, and make recommendations on appropriate reforms in the whole area of money, credit and finance.

The Budget

6.30 The budget is the most important instrument for translating and implementing programmes of the plan. However, the present budgetary system was neither designed, nor is it easily adaptable to meet the demands for planning, programming and budgeting required by Government's commitment to comprehensive planning. Stronger linkages, co-ordination and integration of the planning, programmes and budgeting sequence will be the major thrust of budgetary reform. As part of the programme of plan implementation annual development plans will be formulated and these will be closely integrated with annual budgets, giving them direction, focus and the policy and programme framework.

6.31 Under this strategy tax policy, levels of Government revenues and expenditures, the structure of Government expenditures, and general fiscal and monetary policies will be designed to give direction and thrust of the economy and to achieve the objectives and targets of the plan.

CHAPTER SEVEN

FOREIGN TRADE, BALANCE OF PAYMENTS AND INTERNATIONAL COOPERATION

7.1 Foreign trade and international economic co-operation are critical for the growth and development of the Zimbabwean economy. A careful analysis of the economy's past performance and future potential shows a very close relationship between its growth and development and the fortunes of its foreign trade. As discussed in Chapter Two, the growth and development of the economy require substantial imports of machinery, equipment and intermediate goods not produced locally. To pay for these imports the economy needs to generate sufficient foreign exchange not only to meet normal import requirements but also in the current circumstances, additional requirements for rehabilitating the capital stock for maintaining and expanding production levels.

7.2 The Zimbabwean economy is relatively open. In 1980, for example, the value of exports and imports were 26 and 23 per cent of GDP respectively. For a long time the economy has been operating under conditions of excess demand for foreign exchange with the result that the availability of foreign exchange has been, and continues to be, a major determinant of its growth.

7.3 The economy's foreign trade is closely related to the level of GDP. During 1969-1974 the average annual elasticity of foreign trade turnover to GDP is estimated to be 1,3. This means that to achieve an 8 per cent growth rate, trade turnover would have to increase at a significantly higher rate of 10.4 per cent.

7.4 The importance of export earnings to the economy lies in the fact that these earnings are needed to finance necessary imports to support self-reliant development rather than merely as an element of aggregate demand in an export-led development strategy. The dependence of the economy (particularly its industrial sector) on imported inputs is high in spite of, and indeed because of, an (inward or domestic-oriented) import substitution industrialisation.

7.5 The severe restrictions on imports in the past, coupled with the increased demand for imported inputs, have resulted in a huge backlog of suppressed import demand. Until this is satisfied the economy will, for some time, experience an unusual excess demand for imports exacerbated in many respects by the planned large investment development programme and the general underpricing of imports.

CONSTRAINTS OF FOREIGN TRADE

7.6 Transport has recently been the most serious problem directly limiting the growth of foreign and internal trade. Sectors which contribute most to growth, such as manufacturing, mining and agriculture, depend heavily on availability of imported inputs of raw materials, spare parts, petroleum products, fertilizer and capital goods. In addition the transport system is essential for the internal movement of inputs and outputs to a number of sectors.

7.7 Zimbabwe's geographical and geopolitical position in southern Africa while in many respects an asset is potentially an important constraint on the growth of its foreign trade and, therefore, its economy. The country is landlocked and depends heavily on neighbouring countries for access to world markets. Any transportation bottle-necks, inefficiencies or disruption of normal trade or relations with or in these countries could seriously disrupt Zimbabwe's foreign trade and, hence, its economy.

7.8 Table 7.1 provides data on foreign trade by principal regions. Exports to African countries in 1981 totalled $329 million, or 37 per cent of the total. SADCC's share was only 11 per cent while exports to South Africa constituted nearly 22 per cent of the total. Exports to Western Europe, Asia and North America were $317 million, $96 million and $71 million respectively. Exports outside Africa are mainly primary commodities subject to price instability and deterioration in terms of trade. Manufactured products such as textiles, clothing, footwear and chemicals are subject to strong competition in respect of both prices and quality.

7.9 There is a potential for further development and expansion of Zimbabwe's exports in African markets. In the short term the potential is limited by severe shortages of foreign exchange experienced in many African countries and, in some cases, by inadequate transport and communications systems as well as entry barriers into established markets.

7.10 The quantitative restrictions on imports and the rapid industrialisation which has taken place behind high protective barriers have brought significant benefits to the economy, but not without costs. As already noted, (Chapter Two, paragraph 2.38), this had led to a decline in the proportion of manufactured exports in total exports. The automatic application of import restrictions in the face of reductions in availability of foreign exchange has introduced additional and costly uncertainty concerning the availability of essential industrial inputs to some enterprises involved in highly competitive external markets. Finally, because quantitative restrictions did and still do not reflect the opportunity cost of foreign exchange and, therefore, of imports, they have biased investment and production decisions in favour of capital intensity and use of imported inputs and against labour — a surplus factor of production in the economy.

Table 7.1
EXPORTS* AND IMPORTS BY PRINCIPAL REGION — 1981
(in millions of dollars)

	Exports	Per cent	Import	Per cent	Turnover Trade	Per cent
Africa	**329,3**	**37,1**	**337,2**	**32,7**	**666,5**	**34,8**
SADCC countries of which:**	95,0	10,8	77,2	7,5	172,2	8,9
Botswana	(28,7)		(17,4)		(46,1)	
Zambia	(35,3)		(24,6)		(59,9)	
Non-SADCC of which:	234,3	26,3	260,0	25,2	494,3	25,9
South Africa	(192,2)		(257,4)		(449,6)	
Asia of which:	**96,1**	**10,8**	**98,9**	**9,6**	**195,0**	**10,4**
Japan	(24,9)		(61,6)		(86,5)	
China	(24,6)		(1,4)		(26,0)	
Eastern Europe	**15,9**	**1,8**	**3,4**	**0,3**	**19,3**	**1,0**
Western Europe of which:	**317,4**	**35,7**	**310,9**	**30,3**	**628,3**	**32,8**
United Kingdom	(61,3)		(101,9)		(163,2)	
West Germany	(73,0)		(73,8)		(146,8)	
Latin America	**5,5**	**0,6**	**4,3**	**0,4**	**9,8**	**0,5**
Middle East	**45,1**	**5,1**	**9,6**	**1,0**	**54,7**	**2,5**
North America of which:	**71,1**	**8,0**	**83,5**	**8,2**	**154,6**	**8,1**
United States	(69,8)		(74,4)		(144,2)	
Oceania	**7,7**	**0,9**	**5,1**	**0,5**	**12,8**	**0,7**
Reimportation			2,9	0,3	2,9	0,2
Petroleum & allied products***			171,9	16,7	171,9	9,0
TOTAL	**888,1**	**100**	**1 027,7**	**100**	**1 915,8**	**100**

* *Domestic exports, excluding gold sales*
** *Southern African Development Coordination Conference countries are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.*
*** *Country of origin cannot be identified because petroleum is bought on the spot market.*

OBJECTIVES

7.11 As already noted (Chapter Six, paragraph 6.3 (v)), the investment requirements of the plan demand a deliberate policy of maintaining a large negative balance on current account. This strategy is based on an assessment of the medium and long-term export earnings capacity of the economy and short-term sources of financing deficits in ways which do not impose undue debt servicing burdens. The strategy requires that the balance of payments policy be guided firstly by requirements for growth and development and secondly by viability of the payments position.

7.12 There is need to increase the degree of diversification of foreign trade to reduce the economy's exposure to undue risk and uncertainty arising from the heavy dependence on foreign trade and the South African market.

7.13 In view of the fluctuations in commodity markets for Zimbabwe's exports and the economic costs imposed on producers and the economy as a whole,there is need to investigate efficient ways of smoothing and stabilising production and export earnings for some of the export commodities.

7.14 The need to ensure adequate and efficient transportation routes and facilities to service foreign trade is a matter of great priority and urgency. The fact of the economy's extreme exposure to undue political and other risks requires diversification of the country's trade routes.

7.15 In view of the acknowledged net advantages of increasing the value of manufactured exports, Government will provide appropriate incentives and encouragement to the manufacturing sector in order for it to substantially increase its share in total export earnings.

TERMS OF TRADE

7.16 Zimbabwe's terms of trade have deteriorated significantly during the last 15 years. During the period of rapid growth (1969-1974) the deterioration was marginal (from 100 in 1969 to 97 in 1974), but there was a sharp deterioration between 1975 and 1979 (from 100 in 1975 to 68 in 1979).

7.17 The deterioration was primarily due to huge increases in prices of petroleum imports and a relative decline in primary commodity export prices. In 1980 the terms of trade improved, mainly as a result of the removal of international economic sanctions and the existence of favourable prices of gold. During the plan period prices of petroleum imports are expected to increase moderately. Prices of mineral exports are expected to increase during 1983 as the economies of the industrialised countries move out of the recession. For these and other reasons the terms of trade are expected to improve during the plan period.

IMPORTS

7.18 Between 1974 and 1979 the volume of imports declined from an index of approximately 115 (1964 = 100) in 1974 to just over 66 by 1979. During the plan period imports are planned to increase substantially in order to rehabilitate the economy's capital stock and sustain the planned rate of economic growth. In view of the economy's import elasticity (with respect to GDP) (paragraph 7.3), the volume of imports is required to grow at nearly 11 per cent per year to sustain an 8 per cent real growth rate.

7.19 The structure of imports is expected to change with the share of consumer goods in total imports (which has averaged 11 per cent over the last few years) increasing marginally (see Table 7.2). The share of intemediate goods (which have averaged around 80 per cent of total imports over the last few years) will decline to 74 per cent by 1984/85 while that of capital goods will increase from 9 per cent in 1981/82 to 13 per cent in 1984/85.

EXPORTS

7.20 The volume of exports remained relatively constant during the period 1975-1979. During the plan period, primarily as a result of the expected recovery of the economies of industrialised countries, the easing of transport bottle-necks and measures to promote exports (particularly manufactured exports), the total value of exports is expected to increase substantially from \$1085 million in 1981/82 to \$2094 million in 1984/85.

7.21 Forecasts of exports to 1984/85 are provided in Table 7.3. These assue, by and large, continuation of past and current trends in exports and are not based on any estimate of the impact

Table 7.2
IMPORT REQUIREMENTS OF THE PLAN
(in millions of dollars at current prices and percentages)

	1981/82		Plan Period					
			1982/83		1983/84		1984/85	
	$m	%	$m	%	$m	%	$m	%
Consumer goods	**154**	**12**	**199**	**12,3**	**268**	**12,7**	**301**	**13,0**
Intermediate goods	**988**	**79**	**1 246**	**76,7**	**1 587**	**75,2**	**1 712**	**74,0**
Electricity	20		22		22		23	
Petroleum products	198		202		206		210	
Other intermediate goods	770		1 022		1 359		1 479	
Capital goods	**107**	**9**	**179**	**11,0**	**256**	**12,1**	**301**	**13,0**
TOTAL	**1 249**	**100**	**1 624**	**100**	**2 111**	**100**	**2 314**	**100**

Table 7.3
EXPORT PROJECTIONS
(in millions of dollars at current prices and percentages)

	1981/82		1982/83		1983/84		1984/85	
	$m	%	$m	%	$m	%	$m	%
Agricultural products of which:	**344**	**32**	**508**	**36**	**715**	**39**	**838**	**40**
tobacco	(200)		(237)		(247)		(266)	
maize	(69)		(103)		(120)		(140)	
Mineral products of which:	**339**	**31**	**409**	**29**	**495**	**27**	**525**	**25**
gold	(94)		(99)		(104)		(107)	
asbestos	(83)		(88)		(93)		(102)	
Manufactured product of which:	**402**	**37**	**494**	**35**	**624**	**34**	**733**	**35**
cotton lint	(62)		(74)		(79)		(83)	
ferro-alloys	(102)		(124)		(126)		(129)	
other basic metal products (excluding machinery)	(17)		(19)		(22)		(24)	
TOTAL	**1 085**	**100**	**1 411**	**100**	**1 834**	**100**	**2 094**	**100**

of measures which will be taken to reverse some of the adverse trends and actively promote exports. Table 7.3 shows that exports are forecast to almost double in value over the plan period. The share of agricultural exports in total exports is forecast to increase rapidly at the expense of the shares of manufacturing and mining exports, particularly the latter.

7.22 Agricultural exports are forecast to increase rapidly from a total value of $344 million in 1981/82 to $838 million in 1984/85, resulting in an increased share of the total from 32 per cent in 1981/82 to 40 per cent in 1984/85. Maize and tobacco are expected to constitute a large share of agricultural exports.

7.23 The value of mineral exports (including gold) is forecast to increase from $339 million in 1981/82 to $523 million in 1984/85. Gold and asbestos will continue to be the two most significant foreign exchange earners in the sector. The share of mineral exports in total exports is forecast to decline from 31 per cent 1981/82 to 25 per cent at the end of the plan period.

7.24 Manufactured exports' share is forecast to decline from 37 per cent (using CSO classification) of the total in 1981/82 to 35 per cent in 1984/85. The total value of exports of this sector is expected to increase from $402 million in 1981/82 to $733 million in 1984/85. However, as a result of deliberate policies and measures to promote manufactured exports, this performance will be exceeded.

BALANCE OF PAYMENTS

7.25 As already noted (in Chapter Two, paragraph 2.36) the character of the balance of payments in Zimbabwe is typical of that of most developing economies. There is a strain on payments due to a substantial excess demand for imports of machinery, equipment, intermediate and consumer goods and expenditure on invisibles. Exports originate predominantly from the agriculture and mining sectors. **The predominant pattern of primary commodity exports is accentuated in the forecast of exports but as already noted in the previous paragraph measures to alter this will be implemented early during the plan period.

7.26 The balance of payments figures are given in Table 7.4. Total merchandise exports and imports in 1981/82 were $1085 million and $1249 million respectively, resulting in a defict on balance of trade of $164 million. In view of a net balance on invisibiles of $239 million and net investment income and transfers of (negative) $146 million, the deficit on current account was $549 million.

7.27 The current account deficit was financed by a net capital inflow of $350 million on public account, a net capital inflow on public authorities' account of $143 million, an inflow on private transactions (including errors) of $111 million, and change in reserves of (negative) $55 million.

Table 7.4
BALANCE OF PAYMENTS PROJECTIONS
(in millions of dollars)

	1981/82	1982/83	1983/84	1984/85
Merchandise balance	−164	−213	277	−220
Exports	1 085	1 411	1 834	2 094
Imports	−1 249	−1 624	−2 111	−2 314
Services*	−239	−294	−256	−295
Credit	134	162	110	171
Debit	−373	−456	−366	−466
Net exports of goods and services	−403	−507	−533	−515
Net investment income	−123	−154	−192	−237
Net transfers	−23	−41	−52	−48
Balance on current account	549	702	−777	−800
Government, net	350	451	473	467
ZIMCORD grants	86	86	83	77
ZIMCORD loans	192	281	287	300
Other Government borrowings	175	215	180	150
Government debits	−103	−131	87	60
Public authorities, net	4134	181	189	188
Private transactions, net**	111	165	174	190
Balance on capital account	604	797	836	845
Overall Balance	55	95	59	45
Change in Reserves (− = increase)	−55	−95	−59	−45

* *Includes shipping services, other transport services, travel, other goods, services, and income official and private, and non-commercial transactions official and private*
** *Includes net errors and omissions*

** *This is true even though it is not immediately apparent from the Central Statistical Office classification of exports (see Chapter Two, paragraph 2.37).*

7.28 The pattern established in 1981/82 of deficits on trade balance, a large deficit on invisibles, and thus on current account, will continue during the plan period, with the deficit on current account increasing to $702 million in 1982/83, $777 million in 1983/84, and $800 million in 1984/85. These large deficits are expected in spite of a great increase in the value of export earnings.

7.29 As already noted in Chapter Six, the current account deficits will be financed primarily by capital inflows on public account, with ZIMCORD funds for the PSIP constituting large share of capital inflows (51 per cent in 1981/82, 43 per cent in 1982/83, 49 per cent in 1983/84, and 47 per cent in 1984/85). Capital inflows on private account are expected to increase from $111 million in 1981/82 to $190 million in 1984/85.

EXTERNAL DEBT

7.30 The level of external debt and its analysis expected over the plan period has already been discussed in Chapter Six.

ALLOCATION OF FOREIGN EXCHANGE

7.31 The allocation of foreign exchange among competing import requirements has a significant effect on the rate and pattern of the economy's growth and development. The present system of foreign exchange allocation was necessitated by and evolved during the UDI period to cope with economic sanctions and to meet the objectives of past administrations. The circumstances required the imposition of tight balance of payments control and the resulting inefficiency and/or distributional inequity was regarded as a necessary cost. According to the system the overall level of foreign exchange available was determined by the Ministry of Finance after carrying out its bi-annual balance of payments forecast and in conjunction with the Reserve Bank overall quarterly import levels were determined, for allocation through the former Ministry of Commerce and Industry*.

7.32 The import control and foreign exchange allocation mechanisms have been dominated by the need to save foreign exchange and the perceived overriding necessity to operate within the yearly balance of payments constraint. While the system has been effective, given its orientation and objectives, it will be reviewed in order to accommodate the broader growth and devleopment framework, the difference objectives and priorities of Government, and the new international economic framework within which it now has to operate.

7.33 There are several areas which will be reviewed. The first is the framework within which the control and allocation mechanisms operate; the second is the allocative criteria employed and their relationship with Government objectives and priorities; the third is the institutional as well as administrative arrangements for the allocation and administration of foreign exchange; and the fourth and final area relates to the issue of the manner in which the system should be reformed to accommodate a medium and long-term system of tariff protection, to which Government is already committed.

7.34 Government has commissioned a study to investigate these and related issues and will early during the plan period, take necessary measures to improve and reform the current system.

INTERNATIONAL CO-OPERATION

7.35 As a signatory to the Lomé Convention Zimbabwe will benefit from such advantages as the elimination or reduction of duties on some export to the European Economic Community and the establishment of quotas and guaranteed minimum prices for such products as sugar sold to that market. Zimbabwe is now a member of the International Sugar Agreement and this should moderate fluctuations in earnings from sugar exports.

7.36 The establishment of the Southern African Development Co-operation Conference (SADCC) which aims at promoting and accelerating economic development in the region and reducing economic dependence on South Africa, provides further opportunities for Zimbabwe's foreign trade sector. Zimbabwe has become a member of a multi-national Preferential Trade Area for Eastern and Southern African States. This is a larger group from SADCC which would be

** They are now allocated through the Ministries of Trade and Commerce, and Industry and Energy Development.*

expected to include eventually all the SADCC countries. Zimbabwe will co-operate fully in efforts to eliminate trade barriers for this whole area. Since most of the member countries show trade deficits and have similar balance of payments problems, an inter-regional trade policy would be mutually beneficial. Instituting a clearing system, such as the one that exists between Malawi and Mozambique, will significantly reduce payments difficulties and encourage regional trade. Zimbabwe should be able to benefit from a number of transport and communications projects being implemented under SADCC.

CHAPTER EIGHT

REGIONAL AND URBAN DEVELOPMENT

8.1 Zimbabwe's basic spatial structure is characterized by two well defined and contrasting socio-economic spaces. The first, the central plateau, has the best land and natural evironment and conditions for human settlement and is adequately serviced with productive and social infrastructure. This space which was the main target of white settlement consists of a central strip beginning in the middle of the south-western border with South Africa, crossing the central veld and ending on the north-east border with Mozambique. A network of urban centres, including the two main centres of Harare and Bulawayo, is situated in this area. Around it is a hinterland of large (mainly) white-owned commercial farms forming the basis of the modern commercial agriculture.

8.2 In contrast, the second geographic and socio-economic space consists largely of poorer land with a generally less favaourable natural environment, relatively inferior possibilities for the deployment of productive infrastructure, high demographic densities and population growth, and a suboptimal settlement pattern. This inferior socio-economic space was compulsorily assigned to the black population by colonial regimes.

8.3 Because of the adverse characteristics of the latter space, over-crowding, the past neglect in the provision of adequate physical, social and agricultural infrastructure, much of the population in the communal lands was unable to achieve satisfactory levels of development, transform the space, develop meaningful linkages with the core region, and share significantly in the benefits of the core region's development. The result was progressive deterioration of land and other natural resources due to poor land husbandry, excessive exploitation beyond the carrying capacity of the resources, and inadequate extension services.

8.4 In addition to these two basic geographic and socio-economic divisions, there are a number of different regions which can be defined for purposes of future development. It is also possible to classify portions of the interior of these two major socio economic spaces as developed and less developed in the case of the first space, and as poor and very poor in the case of the second. There are, in addition, some peripheral areas lying outside the core area with some potential for development.

8.5 Zimbabwe has, therefore, inherited a dual spatial structure historically based on discriminatory land apportionment, compulsory separation of races and general neglect of the, especially, rural black population. Because the structure is unbalanced and gives rise to an inefficient distribution and utilization of natural resources it needs fundamental transformation.

POLICIES AND STRATEGY

8.6 There are studies under way or about to be undertaken on some aspects of development of spatial distribution and the organic ensemble of regions, the network of urban and rural centres, inter-regional flow of persons, commodities and financial resources of the various regions, trends in urbanization and main issues in urban development planning. However, no precise concept has yet been formulated of the optimal regional and urban structure in view of the new challenges presented by the nation's independence, the fact that the country is land-locked, the difficulties ecountered in relations with South Africa, the prospects for increased co-operation with Mozambique, and the prospects for intensified commercial activity as a result of links with Botswana, Malawi and Zambia and, in future, with Angola, Namibia and a possible new gate to the Atlantic. All these are factors relevant in the development of a rational regional and urban development strategy. During the plan period the main activity in this field will be directed largely to defining and addressing the essential concepts and programmes for integrating spatial considerations in the development planning process at the national, regional and local levels. Special attention will, therefore, be paid to a number of critical issues noted below.

8.7 The optimization of efficiency, defined in both economic and social terms and in terms of the spatial distribution of economic activities and human settlements, involves the reinforcement of the process of development and functional integration of productive activities, particularly in those centres that have not yet achieved minimum levels of investment or the degree of sectoral and intersectoral integration that would allow them to enjoy the benefits of scale, urbanization, concentration and external economies. It involves the transformation of some strategic agricultural and mining centres. It also involves organized resettlement of some of the population from the communal lands, particularly affected or threatened by ecological collapse or requiring unusual amounts of investment in order to become productive.

8.8 **Government will seek the minimization of diseconomies of concentration in centres which have reached undesirable levels of concentration of investment and population through** suitable measures aimed at effecting decentralisation and through "freezing" of certain types of activities.

8.9 Social considerations require that the regional development strategy must, *inter alia,* establish and strengthen the existence of regional and subregional poles of development and growth centres for production of goods and services and develop hitherto neglected areas outside of the central plateau where natural resources indicate potential for agricultural and industrial development.

8.10 **The national regional development strategy will aim at distributing resources through a system** of investment incentives, direct participation by the State, and local invovlement. It will take into account, in addition to the need for efficiency, the following considerations:

(i) the need for changes in the country's spatial structure;

(ii) the necessary assistance to regions to attain appropriate degrees of autonomy while becoming integrated into the national economy; and

(iii) the advantages to be gained from exploiting hitherto untapped resources as well as the **gains to be derived from regional co-operation. This involves identification and strengthening of the economic base of each region, both within the more developed central plateau and in the outlying areas.**

8.11 **Since regional policy formulation and planning is often accompanied by conflict of interests, imposition from above and compromises, the strategy for regional development involve sufficient popular participation in the decision-making processes. The starting point of policy initiatives during the plan period, therefore, will be formulation of a clear regional policy and a re-examination of the present Regional Town and Country Act (1976).**

8.12 **There is need for geopolitical restructuring of the spatial pattern to take account of the increasing obstacles the country is facing in regard to the use of South African ports, the availability of inputs, the operations of the transport system, and other logistical considerations. There is also need to take advantage of potential new transport and commercial relationships with Mozambique and other countries in central and southern Africa, including the prospect of strategic access to Atlantic ports.**

8.13 **There is need for integration and co-ordination of the national development planning process which would give appropriate attention to spatial considerations, and in particular to:-**

(i) decisions of general concern taken at the national level after an appropriate system of consultation and discussion;

(ii) the implementation of national goals for regional and local development;

(iii) decisions of regional concern (e.g. inter-regional development plans and programmes);

(iv) an urban development planning and implementation system;

(v) the environmental dimension of development at regional and local levels; and

(vi) popular local organization and participation in regard to regional and local development.

URBANIZATION AND REGIONAL DEVELOPMENT

8.14 Government recognizes that a clear and concise policy strategy on urbanization is critical for a realistic and meaningful regional development programme. The formulation of policy and **strategy in relation to growth points and service centres is well advanced and will be published in the first year of the plan period. This policy will necessitate the re-examination of growth points and service centres already indentified in relation to new policy objectives and will seek** to apply deliberate measures to stimulate their growth and development.

8.15 **The imperatives of an urbanization policy and strategy in the context of regional development** arise from a set of factors only some of which are subject to Government control. The first **imperative is the recognition that by the year 2000 the population of Zimbabwe is estimated to** be around 14 million. At the present rate of urbanization 11 million would be accommodated in rural and the remainder in urban areas. The second is that unless there is planned population distribution there will be chaos and confusion. The third imperative is that the rapid growth of the population and its sheer size requires corresponding increases in food, shelter, education and other material things. This requires that decisions be made in the optimal patterns of use of space and its resources between requirements for settlements and those for production.

8.16 An urbanization policy and strategy has to recognize a hierarchy of existing major cities and towns. It should recognize the need for new towns and other growth points and their location as well as lay down the criteria for their demarcation. The development of these will need carefully worked out specific measures and incentives designed to encourage desirable population settlements and economic growth and development.

8.17 In the policy framework it will be necessary to recognize population concentrations in the rural areas, assess their socio-administrative requirements, their economic potential, and establish their hierarchy. Elaborate policies and measures will be necessary for the development of these areas.

8.18 Government strategy is to develop into towns and permanent settlements growth points with natural resource bases. This strategy recognises that there can be no permanent human settlements without a sustaining economic base. To ensure the successful growth and development of growth points, criteria for their identification will need to be rigorous and their planning careful, comprehensive and integrated.

8.19 Government recognizes that there are or will be some areas of population concentration where, because of inadequate natural resource bases, some population will, over time, move out and settle in growing and developing areas. The former areas are classified as "rural services centres". In those areas the provision and character of infrastructure and services will aim at satisfying basic requirements of the population rather than rapid growth and development of the areas.

8.20 A great deal of attention will be focussed on existing major cities and towns outside the main centres of Harare and Bulawayo and will seek to develop them as important industrial and commercial centres mainly through decentralization policy and by re-locating the activities of some Government and statutory bodies in these areas. Provision of housing and other amenities will form key elements of this strategy.